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Algeria	1,200	Algeria	1,200
Argentina	1,200	Argentina	1,200
Australia	1,200	Australia	1,200
Belgium	1,200	Belgium	1,200
Canada	1,200	Canada	1,200
France	1,200	France	1,200
Germany	1,200	Germany	1,200
Italy	1,200	Italy	1,200
Japan	1,200	Japan	1,200
Spain	1,200	Spain	1,200
Sweden	1,200	Sweden	1,200
Switzerland	1,200	Switzerland	1,200
U.S.	1,200	U.S.	1,200
U.K.	1,200	U.K.	1,200
West Germany	1,200	West Germany	1,200

No. 31,577

Mondale Isn't Alone With Election Woes

Reagan Camp Also Feeling Worried About Lost Opportunities of August

By David S. Broder and Milton Coleman
Washington Post Service
ST. PAUL, Minnesota — With the traditional Labor Day starting date for the election campaign just a week away, the organizations of both President Ronald Reagan and Walter F. Mondale are struggling with problems.
More than a dozen Democratic governors urged Mr. Mondale and his aides Saturday to define his personality better, establish his campaign themes and allow more people to join up the campaign's high command.
The comments reflected widespread Democratic disappointment.

Vice President Bush presses the attack on Mondale's arms-control policies. Page 3.

ment with the political stumbles by Mr. Mondale and his running mate, Representative Geraldine A. Ferraro of New York, that stalled the momentum they had gained from the San Francisco convention.

But the complaints were not confined to the Democratic camp. As some top Reagan aides left the convention last week in Doha, they worried that they had failed to capitalize on the opportunities that their opponents had given them.

Internal divisions in the Reagan circle were being blamed for making him appear defensive and almost stridently negative in his acceptance speech.

The net result is ironic. Among the Mondale strategists, there is a greater sense of hope than would seem justified in a campaign barely leading in the Minnesota's home state and trailing almost everywhere else.

In the Reagan camp, there is greater nervousness than seems necessary with a candidate who has never lost a general election.

Interviews with many of the key strategists in Minnesota, in Dallas and in other parts of the nation show that each side perceives its problems and those of the opposition almost as mirror images, beginning with the staffs.

The reference by Mayor Andrew Young of Atlanta to the Mondale high command as "a bunch of smart-assed white boys who think they know it all" vented a complaint heard across much of the Democratic Party.

The complaint is that Mr. Mondale has surrounded himself with a group of longtime, mostly Minnesota-bred aides, who are overly cautious, unimaginative and protective of the candidate and of access to him.

The principal members of the group are the campaign chairman, James A. Johnson, the campaign manager, Robert G. Beckel, the senior adviser, John R. Reilly, and a longtime political associate of Mr. Mondale's, Michael Berman.

These aides have been blamed for the ill-fated move to install Bert Lance of Georgia as the party's national chairman, a decision that renewed criticism of Mr. Mondale's leadership ability.

Many leading Democrats interviewed last week, including Lieutenant Governor Zell Miller of Georgia, said they thought that Mr. Mondale's men had learned their lesson.

But others complained that the party had still not learned collective wisdom.

Mr. Mondale is to meet with key blacks Tuesday and Democratic mayors Wednesday, and he has promised more access.

To mollify those two constituencies, a black, Representative Charles B. Rangel of New York, has been appointed co-chairman of the campaign, and so has a woman, Representative Barbara A. Mikulski of Maryland. By Labor Day, Sept. 3, the campaign staff is expected to grow to more than 500, including a large number of blacks and women.

But Mr. Johnson, the party chairman, expressed resignation in response to the persistent criticism.

"I have no doubt that there are people who are frustrated because they would like to have more influence than they have," he said. But he added, "we are not going to have

(Continued on Page 2, Col. 5)



President Ronald Reagan at the White House on Women's Equality Day, the anniversary of American women's having won the right to vote. Looking on with his wife, Nancy, were about 1,000 women employees of his administration.



Geraldine A. Ferraro, leaving her home in New York for a combined 49th birthday party and celebration of Women's Equality Day. With her is her mother, Antonetta.

Tanker Is Hit by Rocket In Gulf Off Qatar Coast

BAHRAIN — A Panamanian-registered tanker was hit Monday by a rocket in the Gulf near Qatar, shipping sources said. The ship was in an area where Iranian planes are believed to have attacked vessels in the past.

The shipping sources said the vessel, the Cleo-1, was using emergency steering as it headed for Doha, the capital of Qatar.

The sources said a U.S. Navy ship, the guided missile destroyer King, had offered assistance to the 20,880-ton Cleo-1. It was not clear whether the offer had been accepted. The King is part of a small U.S. naval contingent that rotates between the Gulf and the Pacific.

The Cleo-1 was sailing from Colombia to the Saudi Arabian oil loading terminal of Ras Tanura when it was attacked, according to the sources.

They said they had monitored radio communications in which the Cleo-1's captain reported that a small fire had been brought under control but that the ship's power system was down and that it was unable to maneuver properly.

The ship was in the same area off Qatar where two other tankers were attacked this month.

There was no claim of responsibility for the attack from either Iran or Iraq. Iran has not claimed responsibility for any of the 41 previous attacks on commercial shipping in the Gulf this year.

The location off the tip of Qatar is convenient for Iranian attacks, the shipping sources said, because there are two Iranian islands nearby on which reconnaissance aircraft and Phantom interceptors are based.

Iraq, which declared a blockade of Iranian ports in February in an attempt to force an end to the four-year war with Iran, usually issues reports of its attacks on shipping.

Lloyd's shipping intelligence service said the Cleo-1 was managed by Troodos Shipping and Trading Ltd. of London.

Troodos also manages the Amethyst, a 31,280-ton tanker hit Friday by a rocket south of Kharg Island.

An official of the Japanese shipowners' labor relations agency said Monday in Tokyo that Japanese tankers were again sailing to and from oil ports in some areas of the northern Gulf where the danger of attack had been reduced.

He added that Japanese shipowners, who decided in May to stay away from areas where attacks had been reported, would continue to avoid "dangerous" ports such as Kharg Island.

An official at the Japanese-controlled Arabian Oil Co. said it had sent Japanese tankers this month to load crude oil at the company's Khafji terminal in the Gulf.

Belgians Detect No Radioactivity In French Hulk

OOSTENDE, Belgium — A Belgian research vessel has found no trace of radioactivity in the area about 12 miles (19.2 kilometers) off the Belgian coast where the French freighter Mont-Louis, with a cargo that included nuclear wastes, sank Saturday, a public health official said Monday.

Another Belgian expert said, however, that the containers filled with crystallized radioactive gas should not be allowed to remain too long on the sea bottom.

Firmen Aerts, a Belgian environmental official, said he would ask France, which he said was "primarily responsible" for the vessel, to "act as swiftly as possible" to salvage the Mont-Louis. He commented after an emergency meeting of government and civil defense officials at Oostende.

An assistant to Mr. Aerts said later that Belgian Navy divers would examine the ship and the cargo Tuesday morning.

Philippe D'Hondt of the Institute of the Mathematical Model of the North Sea in Brussels said Monday that a research vessel had been sent to locate the Mont-Louis and to take water samples. No radioactivity was detected, he added.

The ship's owners, the Paris-based Compagnie Generale Maritime, are seeking ways to recover the cargo and refloat the ship, a company official said.

The Mont-Louis was reported to be lying in 40 to 46 feet (12 to 14 meters) of water at low tide.

The 4,210-ton cargo ship sank after colliding Saturday with the 14,981-ton ferry Olau Britannia, which was carrying 935 passengers and a crew of 80 from the Netherlands to England. No one was injured in the crash and the ferry was only slightly damaged.

The owners said the Mont-Louis was carrying 225 tons of uranium hexafluoride gas, which is used in the uranium enrichment process, to Riga, the capital of the Soviet republic of Latvia. The gas was stored in containers designed to be watertight for up to a year.

Before abandoning ship, the crew determined that the containers were intact, a company official said.

The Compagnie Generale's statement said that, even if the containers leaked, sea water would dilute the radioactive material and the increase in radioactivity would be "negligible with no consequence for man or the environment."

[At a press conference in Paris, Reuters reported, the Greenpeace environmental group said that the waste presented a greater threat than officials were acknowledging.

A spokesman, citing scientific research in the United States in 1944, said that if a faulty seal allowed a single drop of water to enter one of the containers the chemical reaction would cause an immediate, violent release of energy. Whether by explosion or corrosion, the acid could be released to cause major damage to the sea environment and perhaps to threaten humans, he said.]

An official of the maritime section of the French Transport Ministry said no public announcement about the cargo was issued immediately by either France or Belgium because "there was no danger, so there was no point in issuing a statement."

France has been sending nuclear material to the Soviet Union for more than a decade as part of a deal by which it obtains enriched fuel in return. A spokesman for the Compagnie Generale des Matieres Nucleaires, which has been involved in the trade, said France signed the deal in 1973 when the French did not have the capacity to produce enriched uranium.

But in 1979, France inaugurated its own processing plant and has since become virtually self-sufficient in enriched uranium. The contract was renegotiated last year but the rate of shipments was slowed.

Union Asks Shipping Notice
Jim Slater, head of the National Union of Seamen in Britain, urged Monday that the courses of ships carrying nuclear cargoes be made known to other vessels so that the risk of collisions could be lessened. The AP reported from London.

In U.S., Baby Boom Daughters Become Mothers

By Sandra G. Boodman
Washington Post Service
WASHINGTON — Many of the Americans born during the baby boom of the 1950s, and who delayed childbearing during the 1970s, are now having children and creating a baby boom of their own.

"It seems there are a lot of people having babies because there are," said Suzanne Bianchi, a Census Bureau demographer.

In statistical terms, the phenomenon demographers call "the echo baby boom" is little more than a blip compared with the 64 million births recorded during the postwar baby boom, between 1946 and 1964. That peaked in 1957, when 4.3 million babies were born.

The current increase, which began in the late 1970s and is expected to last until 1990, is likely to be considerably smaller. So far, annual births have not reached four million, according to the Census Bureau.

Nevertheless, maternity wards are overcrowded. Childbirth classes are jammed. Day-care centers have years-long waiting lists. Area school systems are bracing for a registration surge this fall after nearly a decade of declining enrollment.

What makes the boom significant, demographers say, is that it coincides with the influx of millions of women into the work force. For the first time since women began moving into nontraditional jobs and advancing in management positions, many are having children.

And unlike their mothers, who worked briefly and then retired to the suburbs for years or for good, these women are returning to work a few months after their children are born.

"We've seen a revolutionary change in the last 15 or 20 years, and I don't think we realize how significant it is because we're living it," said Leon Bouvier, a demographer with the Washington-based Population Reference Bureau.

"More and more women are working at meaningful jobs because they want to."

As a result, the mothers of the 1980s are making decisions about raising their children and pursuing their careers that their mothers never faced.

Employers must make difficult decisions about promotion practices and maternity leave that simply were not issues a decade ago.

ed white women, demographers say it is increasingly reflected among middle-class black women as well. Nowhere is this change more apparent than in white-collar Washington, which leads the nation in median family income, educational attainment and other indicators.

Although the trend toward later marriage and childbearing is most pronounced among highly educated women, demographers say it is also reflected among middle-class black women as well.

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After Massacre Allegations, Obote Defends His Rule in Uganda

By Clifford D. May
New York Times Service
KASESE, Uganda — President Milton Obote, without referring specifically to allegations that thousands of people have been killed in his country, has defended the policies of his government and army.

"A lot is being said about Uganda abroad," Mr. Obote said in a speech Sunday in this town 180 miles (290 kilometers) west of Kampala, the capital. "I am not worried at all," he said, adding: "Our policies are correct."

Elliott Abrams, the U.S. assistant secretary of state for human rights and humanitarian affairs, said this month in interviews and in testimony before Congress that in recent years, more than 100,000 Ugandans may have been killed by the military or died of starvation in the Lweru triangle region.

Many of the deaths, he said, may have been a result of "large-scale civilian massacres, forced starvation, and impeded humanitarian relief operations."

In congressional testimony, Mr. Abrams said that in the Lweru triangle and elsewhere, the Ugandan Army had been using "defensive operations as an excuse for looting and for the rape or murder of innocent civilians."

Former Presidents Youssef K. Lule and Godfrey L. Binaisa, both of whom live abroad, have also criticized Mr. Obote's human rights record. The Catholic archbishop of Kampala, Cardinal Emmanuel Nsubuga, said in Boston this month that as many as 80,000 Ugandans were being detained in government camps.

Mr. Obote at no time referred to the substance of the allegations except to note that his critics had charged that "people are being killed, that is their language."

He said he would neither resign nor attend a conference with his opponents outside Uganda. Instead, he called upon his opponents abroad to challenge him in the elections to be held next year.

He also ruled out the possibility of a negotiated settlement with an insurgent leader, Yoweri K. Museveni, who, after the elections in 1980, led his followers into the bush and began an insurgency that has continued since then. Mr. Museveni said that the elections had been rigged.

At no time did Mr. Obote mention Mr. Museveni by name or say whether he would be allowed to take part in the elections if he gave up the armed rebellion.

Mr. Obote spoke on the occasion of the consecration of a bishop in the Church of Uganda, a denomination with links to the Church of England, in south Ruwenzori, a mountainous region near the border with Zaire.

Mr. Obote implied it was Mr. Museveni's inability to come to power through elections that had led him to try to overthrow the government through violence.

Rebels Claim to Kill 213
A Ugandan guerrilla group claimed Monday that it has killed 213 soldiers and wounded many more in fighting with the Ugandan Army over the past two weeks. The Associated Press reported from Nairobi.



Milton Obote

A Bird? A Plane? No, a Pterodactyl!

Smithsonian Plans Airborne Replica of Extinct Reptile

By Robert A. Jones
Los Angeles Times Service
PASADENA, California — If all goes well, the Smithsonian Institution will put a flying, life-size replica of a pterodactyl, a giant reptile of the dinosaur age, into the air over Washington within the next two years.

Pterodactyls, also known as pterosaurs, were the largest known flying animals.

The replica being designed for the Smithsonian project was inspired by a pterosaur fossil uncovered in western Texas during the early 1970s. Named *Quetzalcoatlus northropi*, this pterosaur had a wingspan of 35 to 40 feet (10.5 to 12 meters) or about the same as a small private airplane. It was the largest fossil of the type ever found.

"Our goal is to build an exact copy that will fly up and down the Mall, circle the Washington Monument and land in front of the Air and Space Museum," said Walter Boyne, director of the museum, a unit of the Smithsonian.

He added that the flight would be filmed. But first the pterosaur must be built. No one has ever designed a lifelike, working replica of any flying animal, much less the largest one known to have existed. To do the project, which the museum is investing \$200,000, Mr. Boyne chose Paul B. MacCready, an expert on human-powered flight who heads a small high-technology firm in Pasadena.

In 1977, Mr. MacCready won a \$100,000 prize for producing the Gossamer Condor, the first airplane powered and controlled by a human. Two years later, a young cyclist, Bryan Allen, pedaled Mr. MacCready's second creation, the Gossamer Albatross, across the English Channel to win another prize.

At the offices of AeroVironment Inc. in Pasadena, Mr. MacCready conceded that the project presented many technological challenges. Although small wing-flapping devices have flown suc-



The mighty pterodactyl may soar again, in synthetic form.

cessfully, he said, nothing has approached the requirements of the pterosaur project. Among the challenges are the huge wings, which must flap sufficiently to lift the creature through the air and still provide stability.

"This pterosaur had no tail for stability," he said. "So we are going to use what we call 'active controls' — wing twisting and so on. That's going to require a small artificial brain to tell the wings what to do."

Flapping power for the 140-pound (63-kilogram) replica will be supplied by small battery-powered motors. Lightweight robot devices will alter the wings' pitch.

"If nature can do it, we can do it," Mr. MacCready said. "The real question is economics. If we discover it will cost \$2 million to build the replica, then it won't happen."

He will soon submit a cost estimate to the Smithsonian, along with an approximation of how close his team can come to duplicating the pterosaur's flight.

The ultimate goal, an artificial pterosaur that looks and flies exactly like the real thing, will probably be impossible, he said. Economics may dictate the substitution of a sliding or dolly-

Beirut Clashes Erupt on Green Line; Government Sets a Truce in Tripoli

BEIRUT — Government troops patrolled roads across the dividing line between Beirut's Muslim and Christian sectors on Monday after four soldiers and a civilian were wounded in fighting, the first at the Green Line since a security plan in the city took effect July 4.

In Beirut, roads across the dividing line between the mostly Muslim west and the Christian east were reopened Monday, a Lebanese Army spokesman said.

Three of the six major crossings were closed Sunday when Muslim militiamen and Christian units of the Lebanese Army traded fire, using rocket-propelled grenades, jeep-mounted cannons and automatic weapons for more than three hours.

In the northern port of Tripoli, where about 100 people were killed last week between Muslim militias, a government-mediated cease-fire held Monday, despite minor sniping incidents, Beirut radio said.

On Sunday in Tripoli, where at least two persons were killed Sunday by sniper fire between the Muslim factions, Prime Minister Rashid Karami announced an immediate cease-fire there after meeting with military and civilian officials.

Mr. Karami said a security plan to end a territorial feud between the two militias, the pro-Syrian Arab Democratic Party and the anti-Syrian Tawheed, or Islamic, Together movement, would be carried out within 10 days.

At least 100 people were killed and 300 wounded last week in three days of shelling between the factions.

Mr. Karami, a Sunni Muslim with Syrian backing, wants to set up a central buffer force between the rival factions.

Meanwhile, the independent newspaper An-Nahar said Vice President Abdel Halim Khaddam of Syria might visit Beirut later this week to prepare for a Syrian-Lebanese summit meeting.

Syria served as broker for the July 4 security plan, which largely ended the fighting in Beirut, and backs the Lebanese government's efforts to extend the security plan into the Chuf mountains southeast of Beirut.

The Druze Muslim leader, Walid Jumblatt, who is a cabinet minister, has balked at efforts to extend the Lebanese Army into the Druze-controlled mountains.

UN Team Tours Lebanon
United Nations observers toured Israeli-occupied southern Lebanon Monday to check reports that Israel is diverting Lebanese water into its territory, according to an Israeli Army report monitored by The Associated Press in Tel Aviv.

The radio said the observers would report to the UN Security Council in New York, which is to debate Lebanese complaints that Israel has fenced off areas of southern Lebanon and is diverting water from several creeks.

Poland's Old Problems With Germany and Russia Get New Life

By Michael T. Kaufman

New York Times Service

WARSAW — The pressures of political geography that have shaped and reshaped Poland since the days of the Teutonic knights and Muscovite czars have increased this summer, first in response to the prospect of German reunification and then because of President Ronald Reagan's remarks challenging Soviet views of the Yalta agreement.

The developments come 45 years after Hitler and Stalin divided Poland between them after their pact of Aug. 23, 1939. It also comes amid continuing official celebrations marking the 40th anniversary of the establishment of Communist rule in Poland behind the lines of advancing Soviet armies.

In more contemporary terms, the Polish responses to the German issue and the Yalta statement seem to have a direct bearing on the Polish government's hopes for bridging internal social divisions.

Such anniversaries have been given additional pertinence by the scheduled visit to West Germany next month by Erich Honecker, the East German leader, and by what is viewed here as the specter of German reunification. Polish fears on this issue were made clear by General Wojciech Jaruzelski, the Polish leader, in his address July 22 marking the establishment of Communist rule.

"One of the essential conditions for peace in Europe

is the prevention of the return of powerful German expansionism, which is being revived under the pretext of unification," he said.

"We, the Polish people, remember vividly the September 1939 tragedy and the reasons behind Hitler's invasion of Poland," the general said. He went on to cite what he called the increasing militarism of West

NEWS ANALYSIS

Germany and the revanchist and anti-Polish claims of some West Germans who have insisted that German ethnic minorities have been culturally deprived.

Several Polish officials have likened these assertions to the kind of irredentist claims used by Hitler to justify his seizure of the Sudetenland from Czechoslovakia in 1938.

They have insisted that there are no people who consider themselves Germans living in the formerly German territories that Poland gained after the war when its old eastern areas were incorporated into the Soviet Union.

"Those people across the Elbe who have suddenly discovered a multimillion German minority in Poland could as easily discover people on the moon," General Jaruzelski said in his address to parliament.

This view, on doubt a genuine reflection of historical Polish fears, is also an echo of the Soviet position

on German rapprochement and the implications of the Honecker visit.

Poles point out that, ultimately, German reunification could come only with Soviet approval and that at some point it might be worthwhile for Moscow to have a reunited but neutral and missile-free Germany.

In that case, the Russians might also favor the return of formerly German Polish lands to punish an obstreperous Poland in the same way imperial Russia punished the Poles, trimming their lands.

Another consequence of the Honecker visit and the possibilities it raises has been the response of Poland's Roman Catholic Church, which has pointedly supported General Jaruzelski, even criticizing German Catholics who appealed to have Masses celebrated in German for what they asserted were their ethnic brethren in Poland.

In an address to almost 200,000 people in Czestochowa this month, Cardinal Jozef Glemp, the primate of Poland, avoided mention of the banned Solidarity movement and chided the German Catholics by saying there were no culturally deprived or genuine Germans in Poland.

Church sources said that the primate, who spoke facing dozens of placards held aloft by Solidarity supporters, framed his speech to accommodate General Jaruzelski after having refused the general's request last year to sign a joint communiqué on the German issue.

Meanwhile, the movement around Solidarity has remained silent on the German question and on Mr. Reagan's assertion to a group of Polish-Americans that the Yalta agreement of 1945 did not mean that the United States acquiesced in the partition of Europe into spheres of influence but rather that the pact guaranteed free elections for those countries liberated from German occupation.

Privately, some dissidents have applauded Mr. Reagan's words, although they said they wondered whether they represented campaign polemics aimed at Polish-American voters in Chicago and Detroit or whether they indeed reflected some policy commitment to renegotiate Yalta.

In conversations with many Poles, it is the Russians who are seen as the most threatening neighbor. On the other hand, the memories of Nazi genocide and devastation are kept alive by the many family stories and by thousands of monuments.

Even before Mr. Reagan's remarks, General Jaruzelski said that the views of the Yalta and Potsdam accords that have prevailed for 40 years had to remain unchanged and that the same applied to the Soviet position that the Helsinki accords of 1975 confirmed the postwar pact.

"Anyone who pronounces himself against these principles is playing with fire and placing himself among Poland's enemies," the general said.

Ireland Pressures U.K. For Initiative on Ulster

Reuters

DUBLIN — The Irish government has stepped up pressure on Britain for a new initiative to end 15 years of civil strife in Northern Ireland.

In separate speeches during the weekend, two Irish government ministers called for action by the British government aimed at ending fighting between the Protestant and Roman Catholic communities in the province.

In the latest outbreak of violence in Northern Ireland, Irish Republican Army guerrillas shot and seriously wounded a 33-year-old part-time soldier while he was driving

with his family Sunday in County Tyrone.

In a speech Saturday in Lahinch, County Clare, Foreign Minister Peter Barry urged the British government to act on the report of the New Ireland Forum, in which nationalist politicians called for Irish reunification as the best way of ending the fighting in the north.

Criticizing what he called the lack of real democracy in the north, Mr. Barry said Dublin and London must work together to create conditions in which democracy could grow and flourish.

Justice Minister Michael Noonan said Sunday in a speech in County Cork that there were signs that Britain shared Ireland's sense of urgency over the north, but he added that it "can be, and must be, transformed into a major Anglo-Irish initiative."

He called for an end to "the nightmare of northern nationalists," whose misery, he said, was being exploited by the IRA.

Britain's Northern Ireland secretary, James Prior, has been holding talks with local politicians on the prospects of establishing a system of power-sharing in the province, which has been under direct London rule since 1972.

Killing Linked to NORAI

Mr. Barry said Monday he had "little doubt" that the gun used Sunday to shoot a part-time police officer in Northern Ireland was bought with money from the United States. The Associated Press reported from Dublin.



Peter Barry

U.S. Produces Another Baby Boom

(Continued from Page 1)

level and percentage of working women. Women between the prime childbearing ages of 25 to 34 are the area's single largest population group.

The aging of the baby boomers means there are nearly twice as many of them today as there were a decade ago.

Legalized abortion and the widespread use of effective contraceptives partly account for deferred marriage and childbearing. The social ferment of the late 1960s followed by the economic uncertainties of the 1970s — when millions of baby boomers were competing for scarce jobs — also were factors, demographers say.

For many of these women, who face limited childbearing years, the time to have a baby is now. Because this generation is so huge, the social dislocations it causes at every age have led demographers to compare its impact to a "pig in a python."

Twenty years ago the baby boomers oodled schools, so the nation embarked on a huge school-building program. In another generation they will compete for Social Security benefits. Today, as new parents, they are vying for scarce child care and flexible work schedules.

"What are the three biggest issues in the workplace today? Flexible benefits, flex-time and flex-place," or working at home, said Dana E. Friedman of New York's Conference Board, a research group funded by the nation's major corporations. "The biggest change in the last two years is that corporations which regarded flex-time and job-sharing as risky are now experimenting with them."

Mr. Friedman cautions that the reality is that women who are considered valuable are having flexible options. The vast number of women do not.

Another reality is that child care is in desperately short supply.

Since 1981 when the tax laws were rewritten to make child care a nontaxable benefit for employees, the numbers of companies providing assistance have doubled.

In Fairfax County, Virginia, the number of elementary schools offering extended day programs in the past decade has jumped from eight to 45. Currently more than

half of all Fairfax schoolchildren have working mothers. Contractors who will be building the new schools required by this boomlet will not be the only beneficiaries.

Half of all babies born today are first children, and demographers say many are likely to be only children.

"You spend 10 times more on your first child," said Fred E. Winter Jr., a vice president of Shearson Lehman-American Express who has studied the consumer habits of baby boomers. "So in terms of dollars these kids are a lot more potent."

Mondale, Reagan Both Falter

(Continued from Page 1)

staff meetings or strategy meetings in football stadiums.

While the Mondale team has been criticized as a "closed circle," the Reagan team has been criticized for letting in too many people. It is a campaign with an advertising team and about a dozen senior strategists.

Two political veterans, Edward J. Rollins and Lee Atwater, head the Reagan-Bush Committee, but the power largely rests with three men at the White House — the chief of staff, James A. Baker 3d; the deputy chief of staff, Michael K. Deaver; and, to some extent, Richard Darman, Mr. Baker's assistant.

Stuart K. Spencer, the architect of most Reagan campaigns since he first ran for governor, is a full-time and important figure. Two other outsiders, former Secretary of Transportation Drew Lewis and

the Washington lobbyist William Timmons, were recruited to manage the platform and the speaking program at the convention.

One result was a great deal of finger pointing in Dallas.

Some White House aides blamed Mr. Lewis for allowing a small group of conservative ideologists from the House to seize control of the platform-writing process. Mr. Lewis's aides, in turn, complained that he was being undercut by Mr. Deaver and Mr. Darman, who they believe are trying to keep Mr. Lewis from succeeding. Mr. Baker as White House chief of staff in a second administration.

But the biggest second-guessing concerned Mr. Reagan's speech, a mixture of pop rally partisanship, unusually personalized criticism of the Democrats and an attempt at uplifting poetry, the last of which was ruined by ill-timed cheers in the hall.

The fiasco was blamed by everyone on the variety of hands through which the text of the speech had passed. "It was a lot easier four years ago," a senior aide said, "when there were a lot fewer people involved."

U.S. Archbishop Falter a Little But Keeps Vow

New York Times Service

HAVERSTRAW, New York — Archbishop John J. O'Connor of New York City climbed to the pulpit at the outdoor Marian shrine in Haverstraw Sunday and began his sermon to nearly 10,000 people.

"Esta misa marca mi primera homilia en español en Nueva York," the archbishop said. "Yo mismo he escrito estas palabras, incluso los errores."

It was the prelate's first homily in Spanish, as he said, and he was responsible for writing it and for any errors it contained. He explained that, during much of the summer, he had taken a crash course in Spanish that included 11 days of study in Puerto Rico. Sometimes, he admitted, he felt "estupido" speaking his new language.

The service fulfilled a promise made by the archbishop at his installation in March as the head of the 1.8 million Roman Catholics in the New York Archdiocese.

One of his first goals, he said then, was to learn Spanish so he could better communicate with the 800,000 Hispanic Catholics in the archdiocese.

Father Popieluszko also called on the government to "eliminate all barriers to a dialogue with the nation" by releasing political prisoners not covered by the amnesty and guaranteeing "an unconditional return to normal life" for members of Solidarity who are in hiding.

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WORLD BRIEFS

U.K. Ports Normal Despite Strike Call

LONDON (Reuters) — Many of Britain's main ports were working normally Monday as dockers returned to work despite a union call for a national strike.

The Transport and General Workers Union called the dockers out Friday to a dispute stemming from the five-month strike by coal miners. More than 600 dockers at Immingham and Grimsby, in northeastern England, stopped work after the call for an immediate all-out stoppage by the country's 36,000 dockers, but they went back on Sunday after voting not to join the strike.

Dockers at Belfast and Larne in Northern Ireland voted Monday to defy their union leaders and stay at work. The union is protesting against the use of nonunion labor to unload a cargo of imported coal that was boycotted by the striking miners. A similar dispute last month caused a 12-day dock strike that closed more than 60 British ports.

Hijackers Said to Have Bribed Guard

ISLAMABAD, Pakistan (Reuters) — A Pakistani government spokesman said Monday that seven Sikhs bribed an Indian security man to take a pistol aboard an airplane that they hijacked Friday to Pakistan.

The spokesman said this was admitted by one of the hijackers to a Pakistani official in Karachi, the second stopover of the plane in Pakistan before it flew to Dubai, United Arab Emirates, where the hijackers surrendered on Saturday.

In New Delhi, the Press Trust of India reported that more than 50 Sikhs have been arrested in Punjab since the hijacking. The agency said 41 people, including seven members of the banned All India Sikh Students Federation, were detained Sunday and at least 13 people were arrested Saturday. An anonymous telephone caller told a news agency that the student group was responsible for hijacking the plane.

Court Backs Judges in Diaries Trial

HAMBURG (AP) — A Hamburg high court Monday rejected an attempt by the defense to disqualify the judges in the Hitler diary trial. Gerd Heidemann, the former reporter accused of swindling his former employer, Stern magazine, out of more than 9 million Deutsche marks (\$3.1 million) for the bogus journals, had complained that the judges were prejudiced by extensive pre-trial publicity.

A court spokesman, Juergen Daniels, said a separate court ruled that exposure to accounts of the case "does not constitute any prejudice" on the part of the three professional judges. Those judges must now decide whether the two lay jurists also hearing the case are unbiased, Mr. Daniels said.

Group Opposing Deng Jailed in China

BEIJING — Eighteen members of an underground organization opposed to the pragmatic policies of China's top leader, Deng Xiaoping, have been jailed in central Henan province, Henan radio said.

In a weekend broadcast, it said that the group had supported the "Gang of Four," the disgraced radical leaders headed by Mao's widow, Jiang Qing. The radio said the three leaders of the Henan group were sentenced in July to 15 years in jail and deprived of political rights for 20 years. The other defendants received prison sentences ranging from under 5 years to 13 years.

The radio said the group's three leaders rose to power during the violence of the Cultural Revolution. After they were dismissed from their posts, the radio reported, Zhang Sanyu, Qiu Liangqing and Ren Yuanguang formed what it called a counter-revolutionary clique known as the Chinese National United Front with the aim of re-establishing the ultraleftist policies of the Cultural Revolution.

Japan Steps Up Sea Patrols for Chun

TOKYO (Reuters) — Japan has stepped up surveillance off its coastline as part of security measures for the visit of President Chun Doo Hwan of South Korea, a Maritime Safety Agency official said Monday. He said the agency had intensified patrols along the 2,500-kilometer (1,550-mile) coast of the Sea of Japan. Police sources said they had also increased patrols on beaches.

U.S. Incomes Slip Past Inflation Rate

WASHINGTON (AP) — Per capita income in the United States rose 35.1 percent from 1979 to 1983, but the increase barely kept ahead of inflation, the government reported Monday.

The report by the Commerce Department said per capita income nationally rose to \$11,685 in 1983, a 3.1-percent increase over 1982 and a 35.1-percent jump from the \$8,651 per capita earnings of 1979. During the same period, prices were going up 31.4 percent, the department said, leaving the gain in inflation-adjusted income at 3.7 percent.

This compared with an 18.3-percent inflation-adjusted increase in the previous four-year period. From 1975 to 1979, per capita income rose by 48.1 percent while prices were going up 29.8 percent.

Teacher Sought for U.S. Spaceflight

WASHINGTON (AP) — President Ronald Reagan announced Monday that he had directed the National Aeronautics and Space Administration to begin a search for a schoolteacher to be the first person to ride in the space shuttle as an observer.

"When that shuttle lifts off, all America will be reminded of the crucial role teachers and education play in the life of our nation," Mr. Reagan said in a speech prepared for a meeting of teachers and administrators. "I can't think of a better lesson for our children and our country."

Shuttle flights have been restricted to astronauts and specialists with specific tasks to perform. Although Mr. Reagan set no date for the first observer's flight, it could come as early as 1986.

9 Turks Jailed in Cologne Win Asylum

COLOGNE (AP) — Nine Turkish men serving prison sentences for the 1982 takeover of the Turkish Consulate in Cologne have been granted political asylum in West Germany, their lawyer said Monday. The men, who said they belonged to a group known as Dev-Sol, or Revolutionary Left, had surrendered after police promised they could apply for political asylum.

The attorney, Harry Steiger, said Monday that his clients, serving terms ranging from four to four and one-half years, become eligible for parole in July. A request by the 10th member of the group was still being processed, Mr. Steiger said.

The men occupied the consulate building for 15 hours on Nov. 3, 1982, holding 70 people hostage and exchanging gunfire with consular officials barricaded in a separate wing. Two hostages and a policeman were injured. They were convicted of kidnapping.

Talks With Solidarity Leaders Urged

WARSAW (AP) — A Warsaw priest who was indicted by the government for his support of Solidarity urged in a sermon Sunday that the authorities negotiate with leaders of the banned trade union.

The evening mass, attended by nearly 10,000 people, was held by the Reverend Jerzy Popieluszko. It came two days after the prosecutor's office announced the priest would be covered by last month's amnesty. He had been charged with abusing religious freedom and stockpiling explosives and illegal union literature in his Warsaw apartment. He denied the charges.

Father Popieluszko also called on the government to "eliminate all barriers to a dialogue with the nation" by releasing political prisoners not covered by the amnesty and guaranteeing "an unconditional return to normal life" for members of Solidarity who are in hiding.

For the Record

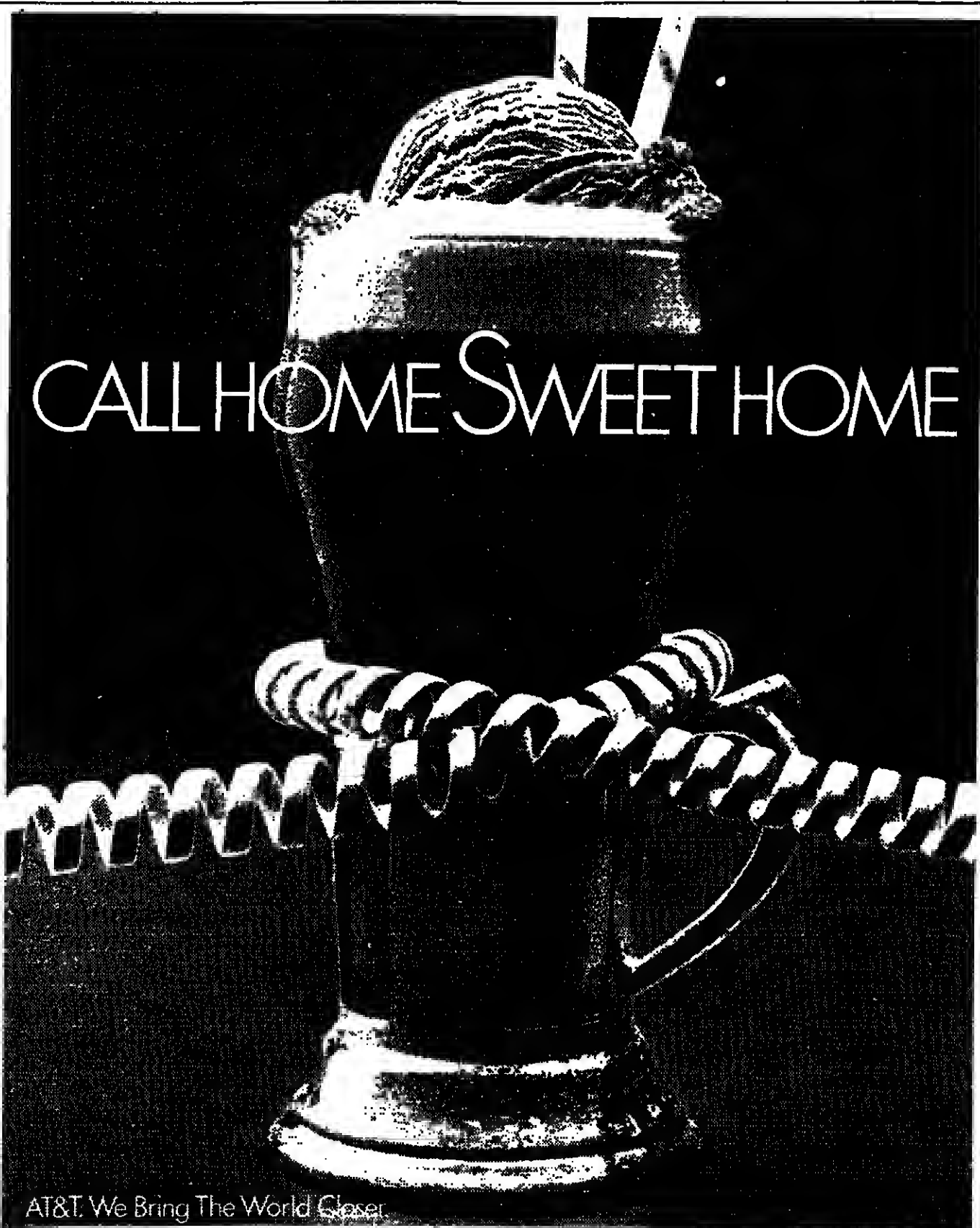
U.S. monitors recorded seismic signals from a presumed Soviet underground nuclear explosion on Saturday, the U.S. Energy Department said Monday.

President Veselko Djuranovic of Yugoslavia arrived in New Delhi on Monday for a three-day visit that is to include talks with Indian officials on bilateral and other international issues.

The Soviet Union's nuclear battle cruiser Frank, the country's newest fighting ship, sailed through the Danish straits Monday en route to the North Atlantic, the Danish military reported.

The 20th summit meeting of the Organization of African Unity will be held in Addis Ababa, Ethiopia, from Nov. 12 to 15, the OAU said Monday. It had been scheduled for May in Guinea, but was cancelled after the death of Guinea's president, Ahmed Sekou Touré.

(Reuters)



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The Mormons and the White Salamander

1830 Letter, If Authenticated, Would Prove Founder's Interest in the Occult

By John Dart
Los Angeles Times Service
SALT LAKE CITY, Utah — A letter purportedly written in 1830 by Mormonism's first convert is now threatening to alter the idealized portrait of Joseph Smith, the church's founder.

The one-and-a-half-page letter, which is kept in a bank vault somewhere in Salt Lake City, the capital of Mormonism, has been attributed to Martin Harris, Smith's first follower outside his own family.

It reportedly says that Smith found the golden plates, which church tradition regards as the basis of the "Book of Mormon," with the help of a "seer stone," a sort of magical looking glass. The book is the church's fundamental text. The letter also claims that Smith was prevented at first from gaining possession of the plates by an "old spirit" that had transformed itself from a white salamander.

Church tradition says that Smith was directed in 1823 by the angel Moroni to find the golden plates, that he "translated" with the use of certain seer stones.

Word of the so-called "white salamander letter" first spread last

winter among Mormon historians, a growing group of scholars who have generated many articles and books "demythologizing" the early Mormon movement.

Church leaders have declined to comment on the letter or its contents until its authenticity has been determined. But some leading historians who study Mormon origins believe the letter will add to existing evidence that Smith was not only a dynamic religious leader but also a treasure seeker who believed in magic and spirits.

Among conservative Protestant critics of the Mormon Church, the letter has been hailed as "one of the greatest evidences against the divine origin of the Book of Mormon."

A Salt Lake City businessman, Steven F. Christensen, who is also a bishop in the church, purchased the letter, dated Oct. 23, 1830, and announced in March that he would not release it until its historicity could be determined. "I think it's authentic," he said at the time.

Mr. Christensen now says he will probably write a book on early Mormonism and that the Harris letter "is really just a catalyst" in

the project. He did not say when the letter or results of the study he financed would be released.

Jan Shippy, a Methodist who once served as president of the Mormon History Association, said the white salamander letter, real or fake, was consistent with other evidence of Smith's occult practices.

Referring to existing evidence that Smith engaged in treasure hunting as a youth in New York state, Richard L. Bushman, a Mormon historian, asked if that was more "inherently evil" than playing poker. Mr. Bushman, whose "Joseph Smith and the Beginning of Mormonism" will be published next month, urged Mormons to be tolerant "about this culture of magic invading the life of the prophet."

Miss Shippy, an Indiana University professor, suggested that the true picture of Smith lies between the standard church portrait and the anti-Mormon caricature of an over-imaginative treasure hunter.

If the Harris letter is genuine, she said, it would confirm other evidence suggesting that some people understood that the plates were located by Smith with his seer stone.

"Since the Harris letter was addressed to W.W. Phelps, a newspaper editor and potential Mormon convert," she said, "it is a document that, if genuine, will also make clear that the presence of the occult in the Mormon story was not something that Smith's early followers tried to hide."

"About the salamander, after the initial shock," she said, "this was the key to my own changed understanding of Joseph Smith. A salamander, according to myth, is the animal that can be placed in the fire and not be burned."

Official church pressures encountered by Mormon historians were cited by Valen Tippetts, a biographer of Joseph Smith, who is to be published next month.

"If a writer seeks to objectively describe the prophet," she said, "the reaction is of ten anger directed not at Joseph or at the church but at the speaker." The logic of church leaders seems to be, she said, that "it is unreasonable for God to choose a lesser man to be a prophet. Therefore, it is reasonable



Joseph Smith

to assume that Joseph was a greater man."

Smith is regarded as the founder not only of the Mormon Church at Salt Lake City but also of the Reorganized Church of Jesus Christ of Latter-Day Saints with headquarters at Independence, Missouri. Mormonism divided soon after Smith's assassination at Nauvoo, Illinois, on June 27, 1844. The Missouri-based church rejected some of Smith's doctrines, including polygamy.

Medicare's Curbs Help Hospitals to Cut Costs But Maintain Quality

By Robert Pear
New York Times Service

WASHINGTON — A new Medicare payment system has profoundly altered the way U.S. hospitals do business, making them more efficient and cost-conscious, apparently without damaging the quality of health care.

After nearly a year of experience with the new system, hospital officials around the country say the average length of stay for both elderly and younger patients has shortened dramatically. Still, many health officials say they need more experience with the system to draw firm conclusions about its effects.

Medicare cost \$64 billion this fiscal year to finance health care for 26 million elderly and three million disabled people. Hospital care accounts for two-thirds of the program's total cost.

In the past, the government paid hospitals on the basis of the costs they incurred in treating Medicare patients. Under the new system, the government pays a predetermined flat rate based on the patient's diagnosis.

Hospitals make money if they keep costs below the Medicare payment rate, and they can lose money if their costs exceed the rate.

So far, health officials said, their fears that the new system would force them to discharge patients prematurely have proved unfounded. Dr. George G. Alexander of Houston, president of the Texas Medical Association, said: "There has been a lot of talk about economizing at the expense of quality care, but, so far, the smoke hasn't led to fire."

Carolyn K. Davis, who supervises Medicare as head of the federal Health Care Financing Administration, said that the quality of care might even have improved under the new system because "care is better planned and coordinated" by doctors and nurses.

Jack W. Owen, executive vice president of the American Hospital Association, said: "Some elderly patients may feel they were pushed out of the hospital a little sooner than they should have been, but I don't think the quality of care has suffered so far."

Mr. Owen and other hospital officials warned that the quality of care might suffer if the government

abused its new rate-setting power in an effort to control health care spending. The formula for Medicare payments to hospitals is so complicated that it is considered nearly impossible to challenge the government's calculations.

Medicare patients admitted to hospitals under the new payment system have spent an average of 7.5 days in the hospital, according to the Department of Health and Human Services. By contrast, in the last fiscal year, Medicare hospital stays averaged 9.5 days.

The American Hospital Association reported that the length of hospital stays was declining more rapidly for the elderly than for people under age 65. It recently estimated that the new Medicare payment system would save the government \$2 billion this year.

Consumer groups, eager to restrain health costs, have not opposed the new limits, but said they should apply to physicians and private health insurance, too.

"We like the concept so well we think it ought to be applied to everybody," said Jack E. Christy, a lobbyist for the American Association of Retired Persons.

U.S. Citizens Help Build Revolution In Nicaragua, Protest Reagan Policy

By Dan Williams
Los Angeles Times Service

MANAGUA — There are no votes for President Ronald Reagan among the hundreds of Americans who work in Nicaragua in support of the Marxist-led Sandinist government.

The 700 or so Americans see it as their duty to speak out against the president, his policies and the anti-government rebels that his administration supports.

They are part of a large, amorphous brigade of foreign Sandinist sympathizers known as "internationalists." They can be found on farms, in hospitals, in schools, in government ministries. They write research papers, plant trees and try to repair trucks shot up by the rebels. Some are volunteers and some are paid.

One of them, Howard Heiner, a forestry worker, said the other day: "The only hope is that somehow we can convince the American public that an invasion shouldn't happen. So we entertain a lot of reporters and visitors. It makes our workday a little longer."

Mr. Heiner, 55, a native of Idaho, is a Methodist missionary. There is no Methodist Church in Nicaragua, so he ministers to the much-abused land by taking part in reforestation projects.

Sometimes, Mr. Heiner said, the war intrudes and makes peaceful work dangerous. Nicaraguan officials of the National Resources Institute, the government agency for which he works, have been kidnapped and killed by the rebels, who also fire on the institute's vehicles and burn them when they get the opportunity.

Some of the Americans, organized into a group called the U.S. Citizens' Committee, conduct protest rallies every Thursday in front of the U.S. Embassy in Managua. On a few occasions, representatives of the committee have met with Anthony C.E. Quintana, who until recently was the U.S. ambassador.

For many of the Americans, though, the demonstrations are as close to the embassy as they want to get. Some fear that they could lose their passports for working for the Nicaraguan government.

"We believe the power's there to lift our passports," said Pat Hynds, 45, a Roman Catholic lay volunteer who works for a Jesuit magazine printed in several languages.

An embassy spokesman, asked about the possibility of anyone being ordered to surrender his or her passport, said it "depends on what they're doing and if it's against the interests of the United States."

"It's pretty hard to lose your citizenship," he went on, "but if you're working high in the Foreign Ministry, that might qualify."

On Thursdays, embassy people arrive at their posts early to avoid the demonstrators, but other than that they tend to minimize the presence of the dissenting Americans.

As one embassy officer put it: "They are free to offer their opinions, unlike citizens of some other countries."

Miss Hynds and others among the U.S. internationalists said the Nicaraguans bore them no ill will despite the differences between the two governments. She said their work was appreciated.

"Nicaragua is so short-handed,

there is no choice but to welcome internationalists," she said.

Some of the internationalists on skimp budgets take advantage of Nicaragua's black-market exchange rates. The official rate is 28 cordobas to the dollar; the black market rate exceeds 200 in the dollar.

Some foreign youths, those who appear to be spending more of their time vacationing than working for the cause, also play the black market.

Opponents of the government call the internationalists vagrants. Some sneer at the foreigners because of their beards and casual dress, characterized by sandals and T-shirts.

But we also love our children and have an obligation to support them," said Julio Quintanilla, a dispatcher. "They say that the revolution is for the people, but it doesn't always seem that way."

Since the first day of the work stoppage, strikers had been appealing to Labor Minister Benito Mendez to come to the plant and take a personal role in the dispute. He made a pre-dawn visit on Friday and warned workers that, if they continued their strike, they could be prosecuted. He said that they had not complied with laws requiring a number of preliminary steps before striking.

Workers agreed to go back to their jobs Friday in exchange for a promise by Mr. Mendez that their grievances would be resolved fairly.

But at the factory that day, workers seemed to be proceeding slowly. One of the strike leaders, Juan José Solís, said he hoped that the government would recognize that "we workers are firm in our salary demands."



SHUTTLE FLIGHT — Two members of the crew of the space shuttle Florida leave a jet after landing at Cape Canaveral, Florida. Henry W. Hartsfield, Jr., the commander, and Dr. Judith A. Resnik, a mission specialist, were arriving for a launching set for Wednesday.

Bush Says Mondale Seeks Peace by 'Vacillation'

The Associated Press

WASHINGTON — Vice President George Bush, continuing an attack on the Democrats' positions on military matters, said Monday that Walter F. Mondale is "so hot" for an arms control agreement with the Soviet Union that "he will do almost anything to get it."

Mr. Bush said the administration's approach of pursuing peace through strength is more effective than the Democrats' tactic, which he described as "peace through vacillation or weakness."

"I'm inclined to feel we are on the right track and we're going to stay on that track," Mr. Bush said on a television news program. "It is far better to have equality, to be strong, in essence. That's the way to get an arms-reduction agreement."

Mr. Bush made the comments Monday shortly before flying to Long Island for a look at the X-29, a prototype of a new generation of jet fighter being developed by Grumman Aerospace at Calverton, New York.

Mr. Mondale, speaking Sunday from his home at North Oaks, Minnesota, continued attacking President Ronald Reagan's stand on arms control. "No one can win an arms race," he said. "If one side builds, the other side builds. If Mr. Reagan understood that, he would negotiate to freeze that competition."

In other political developments:

• John Anderson, who ran for president as an independent in 1980, has decided to endorse Mr. Mondale.

• James A. Baker 3d, the White House chief of staff, said the Federal Election Commission would rule on whether Mr. Reagan's trip to Chicago last week to address the Veterans of Foreign Wars was a political event and should be paid for by the campaign.

Mr. Baker said the president did not do anything political, but Mr. Mondale said, "Why does he have to use taxpayers' money to take a trip?"

• The deputy White House press secretary, Larry Speakes, said Monday that Mr. Reagan does not intend to use harsh or personal rhetoric in his campaign and was

not suggesting in a speech last week to the Veterans of Foreign Wars that Mr. Mondale was a "jackass."

• Geraldine A. Ferraro, Mr. Mondale's running mate, celebrated her 49th birthday in New York Sunday, the anniversary of the amendment to the Constitution that gave women the vote. She spoke at a rally keyed to women's rights and voter registration.

• The Reverend Jesse L. Jackson, who placed third in the Democratic presidential race, said Monday he was eager to support the Democratic ticket, but wanted some commitments on policy and campaign staffing before he fully backed Mr. Mondale.

Mr. Bush, in his attacks on Mr. Mondale, said the former vice president wanted to cancel the MX missile and B-1 bomber and ball deployment of the Pershing-2 and cruise missiles in Europe as well as the Trident-2 submarine. Those moves would "actually lock in inferiority on our allies in Europe," he said.

Mr. Mondale says he would cancel the MX missile and B-1 bomber and would try to negotiate a nuclear weapons freeze with Moscow.

■ Ferraro Describes Ordeal

The furor over the finances of Ms. Ferraro and her husband was "one of the worst weeks" of their lives and brought her mother-in-law to tears, she says.

"The worst part is watching my family and what it's doing to them," Ms. Ferraro said during interviews with her and her husband, John Zaccaro, in this week's Time and Newsweek magazines.

"My husband is a fine decent man. And I ache for him," she said of the controversy over disclosure of his income tax records. "I can't tell you what it has been like for him because he is private, he is good." She said Mr. Zaccaro's mother had telephoned "and was crying."

Mr. Zaccaro lost weight and postponed a minor operation during the public debate over his finances. He had resisted disclosing his real estate business records along with his wife's.

Managua Workers Halt First Strike of Regime

By Stephen Kinzer
New York Times Service

MANAGUA — Workers at the state-owned Victoria Brewery who staged a five-day strike, the first by Nicaraguan workers since the 1979 revolution, have agreed to go back to work after an appeal by the labor minister.

But they said that they would work only until a mediation panel issued a recommendation for a settlement.

The workers are seeking salary increases ranging from 50 percent to 100 percent, and their leaders said that they would walk off the job again if these demands were not met.

Strikes were illegal in Nicaragua until last month, when the government eased restrictions as part of its effort to provide a loosened political climate for national elections.

Victoria employees, like most Nicaraguan workers, have had their wages frozen since 1979 as part of a government effort to control inflation. During that time, prices for many necessities have increased several times over.

The strike has been embarrassing to the government because those taking part in it are affiliated with the official Sandinist Workers Confederation. Strikers, who have refused to leave the brewery since the stoppage began Aug. 20, said in interviews they did not think their union leaders were pressing strongly enough for the demands of the rank and file.

Marlene Arbizu, a bottling worker who has three children, earns the equivalent of \$39 per month, and Carlos Vasquez, who drives a fork-lift, makes \$75. By comparison, a household domestic might earn \$80, while the minimum salary for high school teachers, who were granted substantial raises recently, is \$215.

The strike leaders said they were seeking 100-percent raises for those earning less than \$107 monthly and raises of 75 and 50 percent for others. They said that 80 percent of the 2,000 workers were supporting the strike, although most union officials opposed it.

If Victoria workers win the wage settlement they are seeking, a wave of demands from other unions is considered likely. At the plant, workers said their strike was non-political, although there appeared to be some resentment against government wage policies.

"We support and love the revolu-

tion, but we also love our children and have an obligation to support them," said Julio Quintanilla, a dispatcher. "They say that the revolution is for the people, but it doesn't always seem that way."

Since the first day of the work stoppage, strikers had been appealing to Labor Minister Benito Mendez to come to the plant and take a personal role in the dispute. He made a pre-dawn visit on Friday and warned workers that, if they continued their strike, they could be prosecuted. He said that they had not complied with laws requiring a number of preliminary steps before striking.

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Equality Day Celebrated by Women in N.Y.

United Press International

SENECA FALLS, N.Y. — Women's Equality Day was celebrated with music, exhibits and historical displays in this town in New York, where the first Women's Rights Convention was held 133 years ago.

About 300 people celebrated the ratification of the 19th Amendment giving women the vote.

Speakers included the former Representative Bella S. Abzug, the head of the New York State Division for Women, Ronnie Eldridge, and Secretary of State Gail Shaffer of New York.

Later Sunday, 200 protesters rallied outside the nearby Seneca Army Depot, according to Julie Gress, a member of the women's peace encampment, which organized the celebration. Six women and four men were arrested at the protest, the third rally of the summer by the women's camp to protest suspected storage of nuclear missiles at the base.

Asian Students Protest Elections In South Africa

Reuters

JOHANNESBURG — Thousands of Asian students boycotted classes in South Africa on Monday to protest Tuesday's scheduled elections for a new multiracial Parliament.

The country's Asian population will elect its first members of Parliament, who will play a junior role with people of mixed race in a tricameral legislature under the white-ruled government.

Opponents of the official apartheid system of white supremacy have denounced the changes, which exclude the black majority, as superficial. They called for a boycott of the mixed-race election last Wednesday and the Asians' election on Tuesday.

The government responded by arresting at least 173 boycott supporters. Among those jailed under laws that allow detention without trial are leaders of the Indian Congress Movement founded by Gandhi early this century.

Random Gang Violence In Los Angeles Fatal to 3

The Associated Press

LOS ANGELES — Three persons have been killed and five wounded during a five-day period in random shootings from cars by gang members in a south-central Los Angeles neighborhood, according to police.

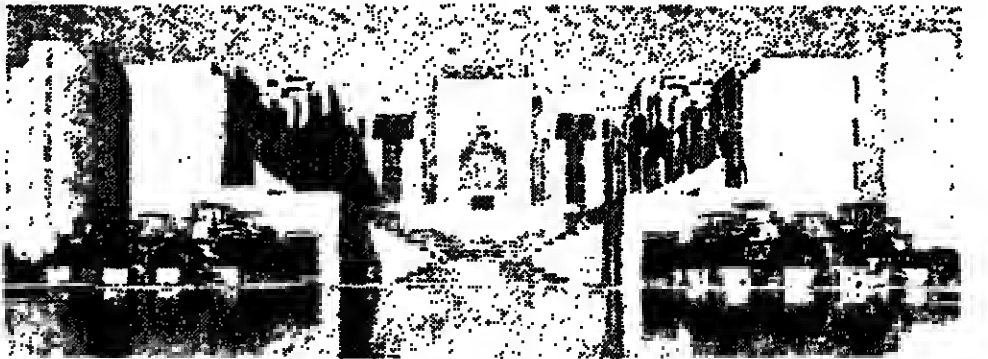
The police said the shootings began Aug. 18 when a bullet fired from a passing automobile hit a pedestrian in a leg. Gang violence is not unusual in the neighborhood, officers said, but the recent shootings are different because of their frequency and the fact that the victims are not gang members. Residents of the area are afraid to leave their homes, the police added.

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The government responded by arresting at least 173 boycott supporters. Among those jailed under laws that allow detention without trial are leaders of the Indian Congress Movement founded by Gandhi early this century.



WHEN IN DAMASCUS... COME TO SHERATON.

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Herald Tribune

Published With The New York Times and The Washington Post

Anti-Narcotics Diplomacy

Is there any hope for drug enforcement? News from the American domestic front is bleak. Customs Commissioner William von Raab believes that his agents catch a mere 6 percent of the thousands of boats smuggling drugs into the United States. New York's prosecutors think more than half the city's felonies are now committed to support the habit. But the news from the drug war's diplomatic front abroad has brightened. It surely deserves a greater concentration of American effort.

Anti-drug diplomacy aims to strike at drugs at the source, by putting foreign producers of opium, coca and cannabis out of business. The Nixon administration proved that this could work in Turkey and Mexico, reducing the flow of heroin into the United States until dealers found new suppliers in Asia. But the Carter administration cut the program's funds, and it has not fully recovered in the Reagan years. Congress has blocked a proposed increase from \$41 million to \$52 million for the State Department's drug diplomacy agency.

That is especially regrettable now that the agency detects new opportunities to make allies of governments that once considered drug-crop revenues a net benefit. Many have become alarmed at the pace at which their own people fall victim to addiction and at the crime

and corruption stimulated by the drug trade. In Colombia, a major source of drugs reaching the United States, young people have begun smoking *bacucos*—joints of marijuana laced with coca paste; drug gangs were blamed for the recent assassination of the minister of justice. Pakistan estimates that it has more than 100,000 heroin addicts. Similar epidemics have struck Malaysia and Thailand.

U.S. ambassadors have thus been able to negotiate drug eradication commitments with Colombia, Peru, Bolivia, Pakistan and Thailand. Alarmed European governments are also showing more interest in the effort.

None of this has yet slowed the expansion of drug crops, and more powerful diplomacy may soon be in order. Bolivia suffered an embarrassing setback recently when it was revealed that U.S.-trained drug agents had joined a plot to overthrow the government. The main channel for heroin now runs through Syria and Lebanon, whose governments have not been approachable on the issue.

But as drug abuse is recognized as a worldwide problem, an effective worldwide response becomes more possible. Rather than budget cuts, the agencies that provide American leadership deserve unstinting support.

—THE NEW YORK TIMES.

An Old Burden in Manila

A vivid figure in the Arabian Nights is the Old Man of the Sea, who Sinedad meets and offers, out of kindness, to carry. Once aloft, the Old Man locks his legs and refuses to let go. So it is with President Ferdinand Marcos, a now ruinous burden to the 52 million people compelled to bear him. With the Old Man's effrontery, Mr. Marcos counts on American aid to rescue him from a mess of his own making.

Nothing has prospered for the House of Marcos since the murder a year ago of the opposition leader, Benigno Aquino. Having promised a thorough and impartial inquiry, the Marcos regime has failed to deliver. Its obstruction is typified by the refusal to permit the testimony of a Japanese journalist who witnessed the killing. He was barred from the Philippines as an "undesirable alien."

Mr. Marcos has similarly failed to keep his promises to his democratic opponents. When they were nearly a third of the seats in May's parliamentary vote, he nullified a hopeful evolution by refusing to surrender the power to rule by decree. He broke another promise by reappointing his wife, Imelda, to the cabinet and impeded a dynastic succession by reconfirming her as governor of Greater Manila.

What once persuaded many Filipinos to support or to tolerate this high-handed regime were the economic benefits it brought, especially to the middle classes. But now the coun-

try is broke and a fourth of its work force is jobless. There is no end in sight for the steepest economic decline since the Japanese invasion of 1941. Unable to meet payments on \$25 billion in foreign debts, the government is pleading for a \$650-million standby loan from the International Monetary Fund.

The roots of the Filipino crisis are political. Desperate to restore his popularity, Mr. Marcos has resisted the IMF's austerity conditions; he has even misled IMF officials by overstating his foreign reserves. Cautiously, but too slowly, the Reagan administration has tried to distance itself from Mr. Marcos and to defend his democratic challengers. In that spirit it ought to insist on compliance with the IMF's conditions for aid, thereby making clear that Mr. Marcos's power to rule by decree does not reach to Washington.

In London the headbanded Economist puts the matter succinctly: "President Marcos cannot afford to lose American support. The Americans should take a deep breath and recognize that they most certainly can afford to lose President Marcos." The U.S. bases at Clark Field and Subic Bay are important, but Mr. Marcos's assurances about their future are only as secure as his own, and may be worth no more than his promises to expose Benigno Aquino's killer and restore democracy.

—THE NEW YORK TIMES.

American Women's Year

Sixty-four years ago this week the 19th Amendment to the Constitution, giving American women the right to vote, was ratified. In the same year, 1920, the Women's Bureau was established in the Department of Labor, and the League of Women Voters was organized. Within five years a woman had served in the U.S. Senate from Georgia, another became governor of Wyoming and the Equal Rights Amendment was introduced in Congress.

The early 1920s were a time of high energy, great hope and substantial progress for women, but the present year may set a record for excitement and achievement. The most obvious, widely noted step was the nomination, for the first time, of a woman as a candidate for vice president on a major party ticket. The choice of Geraldine Ferraro breaks a real barrier, and there will be no going back. From now on both major parties will have to consider the candidacy of women seriously.

The Olympics were the second real and symbolic triumph for women this year. The victories of the many dozens of American women who won medals are proof that Title IX was a good idea. That federal law requiring schools and colleges to spend more on wom-

en's athletic programs was a hard-won statute. There have been victories on Capitol Hill, too. In recent weeks Congress has passed, and the president has signed, two major pieces of legislation of particular interest to women. The first will help those 8.4 million families, most headed by women, who depend on child-support payments for a decent standard of living. Fewer than one-quarter were collecting all that courts had awarded them, but the new law, requiring automatic wage withholding where there is delinquency, will change all that.

The second law is directed at making private pension systems more responsive to the needs of working women—now 43 percent of the work force—and widows. Both the child-support and the pension measures are the result of an organized effort by female members of Congress, supported by some prominent women in the administration.

The final red-letter day for women this year will be Nov. 6, when it is expected that they will cast a majority of the votes in the presidential election. Both parties are courting them, and their presence and influence in the power centers of both parties is increasing.

—THE WASHINGTON POST.

Other Opinion

Convention, Not Conference

[In Britain] it's more decorous and I suppose you might say duller. There's no razzmatazz.

—William Deedes, editor of *The Daily Telegraph* (London), interviewed in Dallas.

[An American political] convention is much more like a very long election rally for the

benefit of the television. There's no debate and the delegates don't make speeches. They don't see themselves as in any sense discussing policy... Imagine putting razzmatazz before, during and after a debate on Social Security or Northern Ireland or the miners' dispute.

—Chairman John Gummer of the Conservative Party, also quoted in Dallas by Mary Ann Stegert of *The Washington Post*.

FROM OUR AUG. 28 PAGES, 75 AND 50 YEARS AGO

1909: China's Regent Fetes America
PEKING — This [Aug. 27] has been "American Day" in China's capital, with the Throne and officialdom in view. The Regent received, in the private audience chamber in the "Forbidden City," Mr. Charles W. Fairbanks, Admiral Harbor, Commanders Gibbons, Rodman, Capetart and Hoegwerff, Lieutenant Leahy and the whole Legation staff of Mr. H.P. Fletcher, the American Charge d'Affaires. After his presentation Mr. Fairbanks had a conversation with the Regent, who expressed China's appreciation of and friendliness towards President Taft and the American Government and people. An elaborate luncheon was served at the palace, and the Americans were given a banquet by the Wei-Wu-Pu. It was a Chinese-American love feast.

1934: H.G. Wells Criticizes Russia
LONDON — Returning to England following a visit to Russia, H.G. Wells, British author, deplores the repression of criticism and free speech still existing in the Soviet Union, according to a dispatch from the Stockholm correspondent of the "Sunday Express," who interviewed Wells in the Swedish capital. According to the author, there is but one man in Russia who talks back to the government and that is Professor J.P. Pavlov, 85-year-old physiologist and psychologist. "Pavlov has been given the greatest scope by the government to carry out his experiments and receives probably more consideration than any other man in Russia," Wells said. "He is venerated as a god. Even his criticisms of the Soviet regime receive respectful hearing."

When the Drug Pushers Are Governments

By Edward F. Feighan

The writer, a Democratic Representative from Ohio, is chairman of the House Task Force on International Narcotics Control.

WASHINGTON — Street-wise pushers are the easiest link to identify in the drug chain. Big-time dealers are more elusive, although U.S. judges have stiff fines, long sentences and forfeiture of all assets at their disposal when a dealer is convicted. But what can be done when the culprits are foreign governments? Very little, even though today's drug chain leads directly to high officials who may use their government ministries to broker shipments of cocaine and heroin.

Four Cuban officials—including the chief of the navy and a member of the ruling Central Committee—have been indicted in Miami for conspiring to ship cocaine into southern Florida.

A Bahamian royal commission is investigating charges that the prime minister and other top parliamentarians received up to \$100,000 a month to ignore drug smuggling through the Bahamas.

In Panama, the chief of the U.S. Army Southern Command, General Paul E. Gorman, has charged that Nicaraguan leaders are running drugs, and intelligence agents add that the Nicaraguans have built a runway, hangar and coca-processing plant to facilitate the drug trade.

The U.S. Drug Enforcement Administration charges that Kintar, the Bulgarian state trading agency, is a front for drug trafficking and that at least 10 percent of the heroin in America comes from Bulgaria.

Much of drug-trade corruption is of course sparked by greed. But evidence collected by intelligence and enforcement agencies in the last few years suggests a more sinister motive: Cuba and Bulgaria, with the Soviet KGB lurking in the shadows, are using drug profits to arm terrorists around the world.

Proving government complicity with drug traffickers is like catching a ventriloquist moving his lips. Top-

level officials rarely get near the illicit goods, and they route the contraband through a tortuous series of underground and legitimate fronts. But once a clear tie between drug trafficking and a foreign government is found, we should work to isolate the outlaw nation.

Cutting off aid—a tactic used with some success against Bolivia during the 1980-81 reign of General Luis Garcia Meza and his "cocaine colonels"—is one option. Bringing action in U.S. courts is another. Although the chances of an arrest are virtually nil, indictments do restrict the suspects' freedom of movement and create unwelcome publicity. Beyond that, we can downgrade diplomatic relations or impose trade sanctions.

While these actions might vent frustration, they are unlikely to reform state offenders. Most of the governments involved in the drug trade receive little or no U.S. aid, and abortive embargoes on pipeline supplies and grain sales show how unilateral sanctions can create more problems than they solve. Only a

concerted, behind-the-scenes effort to enlist allies in the war on drugs offers hope for progress.

Many nations appear ready to join the fight. Italy, West Germany, France, Britain and Switzerland, troubled by growing violence and addict populations, are beginning to fight the black market in drugs and guns which supported 186 terrorist strikes in Europe last year. Even previously ambivalent South American leaders, particularly in Colombia, realize that they must act decisively or risk surrendering their children to narcotics and their authority to drug traffickers.

To take advantage of this heightened concern, the United States must make international narcotics control a foreign policy priority—a move that has been resisted to date by the State Department.

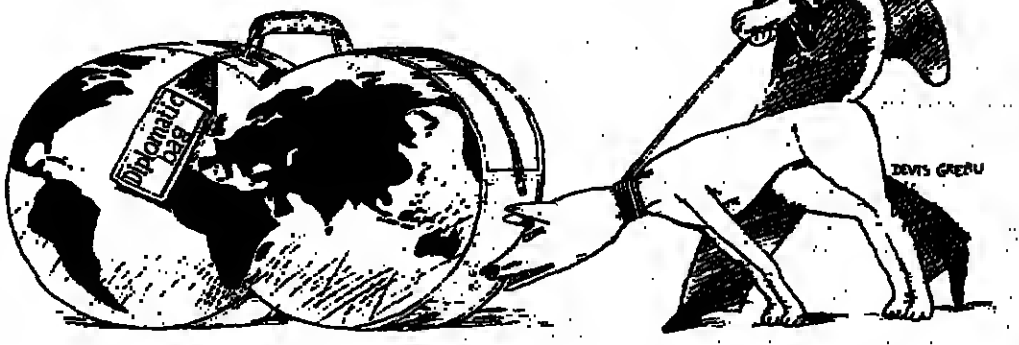
Taking narcotics issues off the back burner can pave the way for more effective agreements to share intelligence, toughen customs inspection procedures, cooperate in investigative and police actions and curtail the clandestine banking ar-

rangements that allow the illicit trade in drugs and arms to prosper. And this quiet diplomacy can be matched with public protests in the United Nations and other international organizations.

Finally, Americans have to keep in mind that diplomacy, like charity, begins at home. A culture that winks at snorting coke and smoking pot cannot lead a war on drugs. If international efforts are to be effective, America will have to reduce domestic demand and crack down on drug trafficking at home.

Changing attitudes will not be easy, and it will mean spending more on drug treatment, enforcement and education. But the benefits of curtailing an \$80-billion-a-year criminal enterprise that cripples our children, costs legitimate businesses \$26 billion in lost productivity and fuels terrorism more than justify the expense.

The New York Times.



R. Reagan, Revanchism and Stakhanov Redivivus

By Robert G. Kaiser

This is the second of two articles.

MOSCOW — Ronald Reagan is by no means the only target of official Soviet propaganda. The Soviets have also revived the German devil, bringing back the codeword of the 1950s and '60s to evoke the German threat — "revanchism."

According to the Great Soviet Encyclopedia, revanchism is "the policy of chauvinistic circles in a country that was defeated in war which is directed at preparations for a new war under the pretext of re-establishing prewar borders and the prewar system of relations between states." In practice the term is reserved for Germans. A decade ago it had disappeared from the vocabulary of Soviet politics.

"Revanchism" came back into use last spring, and it can now be found regularly in the Soviet media. Its use promotes a military danger familiar to all Russians, and thus nicely complements the anti-Reagan campaign—a campaign which, however ominous it deals with a threat that any Soviet citizens, like many Americans, must find remote and hypothetical, the danger of a nuclear exchange between the superpowers. But the image of militaristic Germans again threatening the Soviet motherland is a familiar one that does indeed evoke strong feelings here.

In recent weeks the media have added a new, domestic touch that evokes the harsh old days and must be intended to put the public on notice that hard times have returned. Last Thursday's lead editorial in Pravda reiterated this new message, reminding readers of Alexei Stakhanov, a miner in the Ukrainian city of Donetsk who Joseph Stalin made a national hero in the mid-1930s.

Stakhanov was credited with Herculean rates of coal production in fits of strenuous labor undertaken not for pay but purely out of patriotic enthusiasm. Today's workers, said Pravda, are emulating Stakhanov's model, battling ferociously to fulfill and overfulfill the current five-year plan.

Whether ordinary Soviet workers take this seriously or with a smile is hard to say, but many will understand the symbolic importance when today's leadership decides to revive this Stalinist episode.

Only a few months ago the Soviet president, Konstantin Chernenko, said publicly that such extraordinary volunteer efforts are not necessary in the modern day. And Mr. Chernenko's predecessor, Yuri Andropov, explicitly favored a different approach to increasing production, arguing that the country needed a steady "rhythm" of output, not bursts of extra effort.

So in a variety of ways Soviet citizens have been getting the message that the Soviet Union is again excited by hostile forces and must again undertake special efforts to protect the motherland. This is hardly a new message. Russians are used to it. Even at the height of détente in the early 1970s, Soviet high school students were taught that capitalism is doomed, because the objective realities of social development have put the revolutionary transition to socialism on the agenda of this century. The same 1973 textbook described war as "a means of quickly enriching capitalists."

When I wrote about those textbook passages 11 years ago, a prominent Soviet journalist privately criticized me sharply. He said student textbooks were of no consequence compared to the statements at that time in the official news media, which insisted that good relations between the

communist and capitalist worlds were desirable and inevitable. Looking back, it seems that the textbook was closer to the enduring Soviet view than those newspaper articles.

The idea of hostile capitalist encirclement has been a crucial source of legitimacy for the Soviet regime for more than 60 years — both at times when it was justified and at times when it was not. To Americans it does not seem justified at present, but the Soviets see things differently — or want to. The leadership knows that old-fashioned patriotism is its last line of defense, and it can be counted on to invoke it whenever the leaders feel besieged.

The party line could change again, and suddenly. "Don't worry about us," an official said here recently. "In this country, it [the propaganda] can all change overnight." I saw this happen in 1972, on the eve of Richard Nixon's first visit to Moscow, when hostile anti-American propaganda suddenly disappeared from the papers, to be replaced by sympathetic articles on American life and even praise for McDonald's hamburgers.

But at the moment the Soviet leaders seem to be sinking deeper and deeper into hostility toward the West. They clearly see this hostility as the only plausible response to the rhetoric of the Reagan administration and its NATO allies.

Revealingly, the Soviet propaganda machine passed up one recent opportunity to exploit what Westerners might consider an anti-Reagan story: The acknowledgment by White House aide Michael Deaver that President Reagan sometimes nods off in cabinet meetings was not reported here.

Mr. Reagan as doer does not suit the imagery of rampant imperialism that the Soviet leaders are now cultivating for their people.

The Washington Post.

All This Yankism Strikes One Brit as a Bit Much

By Godfrey Hodgson

LONDON — There seems to be a feeling among some members of the Reagan administration, shared by a few in Prime Minister Margaret Thatcher's entourage, that British opinion these days is insufficiently sympathetic toward America. That estimate, in my view, is grossly distorted. If anything, I would submit, the problem in Britain is the public's almost complete, uncritical and often misinformed enthusiasm for America.

This is not to suggest that the British necessarily support President Reagan and his policies. On the contrary, those who monitor international affairs are rather concerned by his reluctance to negotiate with the Russians and his potential military intervention in Central America. But these reservations about Mr. Reagan are not symptoms of anti-Americanism.

In reality, Britain probably has a closer relationship with the United States than with such former imperial dominions as Canada, Australia and New Zealand — which, in their way, are also closer to the United States than to Britain.

What may account for insensitive and even neurotic attitudes on both sides of the Atlantic is the basically asymmetrical nature of the relationship. The partnership, in short, is lopsided.

The British know, though they may not admit it readily, that they need the United States more than the United States needs them. The alliance is a matter of life or death for Britain, as it has been throughout most of this century.

The United States rescued Britain in World War I and again in World War II, after which U.S. aid saved this country from collapse. Today, despite its revenues from North Sea oil and natural gas, Britain is vulnerable to the ups and downs of the U.S. economy.

Look at the cultural side of the relationship and the same imbalance exists. Success for a British film producer, actor, dancer, musician or writer means scoring in Hollywood or New York, prefer-

ably both. Television is similarly tilted. But while British dramatists can be prize-winning prestige items on America's public television channels, American series like "Dallas" and "Dynasty" are standard fare on television in Britain, seen by far bigger audiences than watch British exports to America.

An analogous phenomenon is apparent in British newspapers, which focus heavily on the United States. For example, the women's page of a recent morning's issue of *The Guardian* featured stories on California and Aspen, Colorado, and an interview with Rusty Gurr, a black American feminist. The British press covers no other nation to that extent. The American press does not even begin to pay that much attention to Britain.

While Americans may be sentimentally attached to Britain, they still regard it as a foreign land. For the British, however, the United States and its output have come to be part of their own society.

Different political factions use America as a model to serve their special purposes. Mrs. Thatcher and her Conservative Party followers constantly hail America for its dynamic free enterprise system and its dedication to traditional values. The heroes of the British left include Americans like John Kennedy and Martin Luther King.

Despite attempts to stem the brain drain, the United States remains enormously attractive to British scientists and technological experts because of advanced facilities and high salaries.

The United States seems to be broad and varied enough so that nearly everyone in Britain can find something in it to satisfy his tastes. But more often than not, it seems to me, America's appeal for the British is too indiscriminate.

The writer is the author of "America in Our Time" and other books on the United States. This comment was written for *International Writers Service* and distributed by *United Press International*.



LETTERS TO THE EDITOR

A Philippine Rejoinder

Your four-part series on the Philippines (Aug. 16 to 19, by William Bradford Huie) is a good example of one-sided Western reporting on Third World countries. Using as a yardstick Western standards, the writer points to a few isolated cases and then gives a bleak general picture of the country. (Must stum and garbage dump photos always accompany articles about developing nations?)

The writer fails to mention the major factors behind the current economic difficulties: plunging commodity prices in the world market, particularly for sugar and copper, and the recent droughts. The country is poised, however, to greatly improve its economic performance with the recovery of the world economy.

The reports fail to mention the significant accomplishments of President Marcos, including a successful land reform program that has transferred land ownership to hundreds of thousands of tenants; improvement in education that has raised the literacy level to 89.9 percent; attainment of self-sufficiency in food; and an unprecedented public works program that has provided roads and electricity to many isolated communities.

By any yardstick, the parliamentary elections last May 14, in which the

ruling KBL party won a two-thirds majority, clearly indicates that President Marcos still enjoys widespread support and confidence.

LUIS V. OPLE
Information Attaché
Philippine Mission, Geneva.

Sangroid for Afghans

Reporter Leslie H. Gelb (Aug. 23) discloses the equanimity with which a "top State Department analyst" observes the butchery in Afghanistan. It reminds me, in Orwell's scathing phrase about the Spanish Civil War, of "the sangroid with which London regarded the bombing of Madrid."

Conceding Moscow's use of force "to maintain control of countries on its borders" could prove to be ill-advised, considering that these countries include Turkey and Iran.

CARLO CRISTOFORI,
Luxembourg.

Train the Board, Too

Regarding the report "U.S. Businessmen Abroad Finally Face the Price of a Shock Is Too High" (Insights, Aug. 13) by Don Oldenburg: Mr. Oldenburg is correct in every aspect except for an omission: What about the U.S.-based management teams in the board rooms?

Why Not Be Confident Of Victory?

By George F. Will

WASHINGTON — The Nobel Prize for Literature should go to any Republican who at the moment can convincingly argue that Republicans should be worried.

Walter Mondale, the choice of just 39 percent of the voters in Democratic primaries, has the task of preventing the fourth Republican victory in five elections. Only four times in this century has an incumbent president been defeated, and each defeat involved extraordinary circumstances.

In 1912 Republicans split and William Howard Taft finished third behind Woodrow Wilson and Teddy Roosevelt's "Bull Moose" candidacy. In 1932 the Depression destroyed Herbert Hoover. In 1976 Gerald Ford was a casualty of the Watergate syndrome. In 1980 — well, optimism is the indispensable ingredient in American politics and it has been said that Jimmy Carter was America's first pessimistic administration.

The Mondale-Ferraro ticket is the most liberal in memory. But only 21 percent of the participants in this year's Democratic primaries identified themselves as liberals. Three states — Florida, Texas, California — accounted for 42 percent of U.S. population growth in the 1970s. Mr. Mondale is far behind in all three. In California he faces an agonizing decision: Should he invest the vast sums of money and time needed to seriously compete there? Voters rejected him emphatically in California's primary.

West of the Mississippi the Democrats carried none of the 24 states in 1972, six in 1976, two in 1980 — for a three-election record of eight won and 64 lost. In the Southern primaries this year the decline in the participation of white voters more than matched the increase of black participation brought on by Jesse Jackson.

If Mr. Mondale cannot carry California, he must carry Texas. But, then, because he cannot at the moment reasonably hope to carry a lot of other states, almost all the rest are essential, whereas no state is essential to a Reagan victory.

A campaign has two principal assets: the candidates' time, and money. The Mondale-Ferraro ticket will be even shorter of the former than of the latter because the Democrats can take so few states for granted. (Some polls have Mr. Reagan close even in Minnesota.) Mr. Mondale will have to use his running mate just to try to hold his base in the Northeast.

Mr. Reagan may not need to fear a big turnout. The old axiom is that Republicans pray for sleet, tornadoes and earthquakes on election day because the higher the turnout, the higher the Democratic percentage. But today Mr. Reagan is doing as well among all persons of voting age as among registered voters.

Mr. Reagan, unlike Mr. Carter, had his rough patch at the start of his administration. And even that patch — the worst recession since the Depression — did not produce proportionate Democratic gains in 1982. So today some Republican politicians are worried because most Republican activists are not even worried about the fact that no one is worrying.

Still, life always supplies a cure for serenity. In this case the cure would be tighter polls, and they are coming.

Washington Post Writers Group.

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ARTS / LEISURE

Makers of Miniatures Find Small Is Beautiful — As Well as Profitable

By James Barron
New York Times Service

COLUMBUS, Ohio — Betty Rice owns a turquoise three-story Victorian house with two fireplaces, a \$80 handmade chandelier in the front parlor and an ornate brass bed in a bedroom.

Her house is a few steps from Gene Farrow's supermarket, where the shelves hold 65 flavors of canned soup, 10 brands of pet food and 10 kinds of frozen dinners. Just around the corner, a man is busy spray-painting a 50-year-old convertible in David Brown's garage.

Like everything else on display at the Miniature Industry Association of America's annual trade fair, no building in the neighborhood is more than four feet tall and the furnishings average three inches (7.5 millimeters) in height.

With dollhouse rooms that cost \$10,000 to furnish and tiny oil paintings worth \$6,000, the fair filled a sprawling suburban mall with collectors and owners of shops that specialize in selling miniatures. For the four days this month they placed orders, exchanged ideas and talked about how selling small things has become big business.

Tony Kohn, the association's president, said that sales of miniature furniture, figurines, dollhouses and related items totaled \$250 million last year and that there are 250,000 regular customers. While this year's figures are not in yet, many merchants here predicted that 1984 will turn out to be 5 to 10 percent better.

Charles Harley, who manufactures figurines, said that so far he has sold 2,800 statuettes at \$75 apiece — a target he had not expected to reach before next March — and Chris Higgins reported that the annual profit from her Houston dollhouse store, Crickets and Caterpillars, is \$50,000.

Most miniatures are built on the one-twelfth scale. All details are scaled down to match, including electrical requirements. Miniature chandeliers, for example, use 12 volts instead of the usual 110-volt house current, and owners of electrified dollhouses must use a transformer.

Miniature housing has as many elements as the home-building trade itself — an endless variety of roof shingles, paint colors, wallpapers, hardware and moldings. And for furnishings there is everything from colonial cradles and Queen Anne consoles, to contemporary clear dining tables.

Seemingly, no household item has escaped miniaturization. Wholesalers here offered tiny non-working versions of the Sony Walkman for \$3, touch-tone telephones for \$3.05 and Cuisinarts for \$4.20. For \$5, Farrow sells an assortment of paper shopping bags from Saks Fifth Avenue, Tiffany & Co. and B. Altman.

Collectors use these items for atmosphere in the tiny rooms they create. In decorating an American home of the 1950s — a period popular with collectors who were children at the time — some miniaturists buy little boxes of long-gone brands of laundry detergent and furry pink bedroom slippers. Others make everything from scratch.

"All you have to do is give me a saw, a sander and a drill press, and I'm in heaven," said Rice. She is making two dollhouses, she plans to sell for \$400 apiece, unfurnished. "When you get hooked, nothing matters," she said. "Do you think I'd pay \$290 for a chandelier in my own house?"

Like many miniatures enthusiasts, Rice became interested when she went shopping for dollhouse furniture for her daughter.

"What I found was really sad-looking, so I built some," she said. "Then for my granddaughter I built a dollhouse and every stick of furniture. The dollhouse sat on the dining room table, and there was just enough space left for my husband and myself to eat."

She said that initially she was, "a closet collector — you didn't tell anybody what you were doing because they thought you were crazy, playing with toys."

But these days, miniaturists are less covert. Robert Dankanics, who is the owner of the Doll House Factory in Lebanon, New Jersey, said he recognized a change in his customers some years ago. "All the people who used to come into the shop on the pretext of shopping for their daughters or granddaughters signed and said they were glad it was out in the open," he recalled.

There is a change too, in the design and quality of do-it-yourself miniature furniture kits. They offer better materials and a wider range of styles. One kit manufacturer, John R. Adams, quit his job as an electronics sales manager for the Lockheed Corp. to set up Shenandoah Designs Inc. of Brookfield, Connecticut, that specializes in reproducing miniature Chippendale chairs, Pennsylvania Dutch dressers and Shaker cupboards.



According to Adams, kits allow hobbyists to work at their own speed. "It can take half an hour or three hours, depending on how fussy you are," he said. "Some people sand for hours and others stain it in five minutes."

Scaled-down single room-sets, usually housed in a three-sided box seem to be increasingly popular. These set-pieces can be miniatures of existing rooms, or whatever period the maker fancies. Clara Spence of Groveport, Ohio, for example, showed a miniature funeral parlor complete with oak casket. Virginia Schlaegel, also of Groveport, displayed a complete carpenter's shop, inspired by her son and husband who are both in that trade.

Extensive research often goes into miniature room settings. Kohn's Victorian bedroom and bath, for example, were the result of a year and a half of study. The key source for his tiny tub shower, he said, was an out-of-print book that he bought for \$27. And he copied a 19th-century chair from an example in the Brooklyn Museum.

Kohn's period taste mirrors trends in the miniature industry. A decade ago, he said, interest in Victorian was "minimal." But in recent years it has become "Victorian heavy," and preferences are now shifting toward the Colonial and Federal periods in the United States.

The business side of miniatures is different as well. A decade ago toy stores and gift shops were the major sources of supply. But in the mid-1970s specialty miniatures shops began proliferating. "Most were undercapitalized," said Kohn, "and most were operated by owners without retailing experience." During the recession,

Clara Spence, above, with her miniature funeral parlor. Virginia Schlaegel and her tiny carpenter's shop.



some of these shops — the association has no precise count — went out of business.

But Farrow, whose company is Farrow Industries in Fern Park, Florida, is a specialist among specialists. He has prospered by stocking pantry supplies for tiny kitchens. In five years he has worked out licensing agreements with 30 companies, and his inventory includes most of the H. J. Heinz Company's 57 varieties, nine kinds of Hefty plastic bags and more than 20 Del Monte canned fruits and vegetables. "A lot of younger people identify

with that stuff because they want to create something so their children will remember today," he said. "Our problem is that the companies keep coming out with new products so fast we can't print them. At the rate they're changing their labels, our stuff will be antique pretty soon."

The fascination with miniatures is powerful. "My latest dollhouse is an old Southern plantation," Higgins said. "You can stand back and your imagination will run away. Sometimes I wish I were 5 inches tall so I could climb in with them."

Parties and Polo at Deauville

By Leticia Jett
International Herald Tribune

DEAUVILLE, France — After 15 days of meetings — at racetracks, polo fields, intimate luncheons and black-tie dinners — one of the larger multinational mergers of the social season proved once again that if money doesn't buy happiness it at least underwrites an acceptable, if ephemeral, facsimile.

Although it has been more than 50 years since Deauville was one of the major summer playgrounds for the rich and famous, the name remains a certain allure and for a couple of weeks every August extravagant attempts to recapture some of that old glamour manage to bring some excitement to the resort.

Nowadays, however, much of the fun and games comes from a union of pleasure and business — big business. From the sale of the most expensive yearling in the history of France to the victory of a polo team that did not exist a year ago — owned by a jeweler no one had heard of two years ago — no expense was spared to pull off a few days of diversion for several hundred professional party people.

This year's sale of yearlings took place to what most considered ridiculous heights with the culmination in the 7.6 million-franc sale of Miss Shirley to Sheikh Mohammed al-Maktoum.

Basically the social and the business events attract two interest groups: those who love rich horses and those who love polo. The first tended to bring out the big names on the social circuit especially for the Aug. 18 Gala des Courses to benefit the jockey association, the second less so. But that fact in no way diminished the overall enthusiasm for the four competing polo teams or the attendant parties.

When ennuet set in there was always the casino where if one were not interested in gambling there was the possibility of watching Omar Sharif play bridge or watch baccarat wagers that for much of one evening topped the 300,000-franc mark.

On the weekend, the Marquis Francois de Suarez d'Aulan, a former polo player and Piper-Heidsieck executive, gave a welcome



Sophie Ben Hassine with members of her polo team. In the background is the cake that was dessert at her party.

lunch for 24 at his chateau, which refocused attention on the polo competition. On Saturday night

Jean-Louis Scherrer hosted two tables of friends and press to a dinner-fashon show at Les Ambassadeurs, the restaurant in the Deauville casino (while people at other tables paid 500 francs per person plus wine and service to eat the same food and watch his ready-to-wear and haute couture collections). Then on Sunday Cartier, which sponsored one of the polo teams, gave a small lunch for the players in the garden terrace of the Hotel Normandy.

But for pure franc-for-franc glitz everything else paled next to Sophie Ben Hassine's Friday night black-tie production for 200 at the Villa Strassburger, redecorated for the evening and complete with candlelit driveway flanked by children on ponies, a dinner that finished at 1 A.M., a fireworks display,

a drawing for jewelry and disco entertainment.

New on the international social scene, Ben Hassine, 30, a granddaughter of the last bey of Tunisia, who owns jewelry stores in Paris, Cannes and St-Tropez called Kinz, which means treasure in Arabic, reportedly invested 1.85 million francs, or about \$210,000, in the weekend — 800,000 francs for the party, 600,000 for the lodging and comfort of her guests and 350,000 for her new Kinz polo team, which won the Championnat Mondial de Polo Sunday and the new Coupe d'Or-Kinz.

"In my lifetime I have only seen four parties like this," Duke Francois de Noailles, president of the Deauville polo association, remarked midway through the party. Others found the Kinz logo written in light beams all over the garden an interesting approach to party decoration.

NYSE Most Actives				
	Vol.	High	Low	Chg.
Int'l	15128	94	796	+1%
Dow J.	10182	129	1229	+1%
A.T.&T.	3993	364	358	+1%
IBM	1023	124	1224	+1%
Gen'l	4254	254	254	+1%
Merck	4881	124	124	+1%
Amgen	5586	124	124	+1%
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Dow Jones Averages				
	Open	High	Low	Last
Indus	1229.68	1234.74	1219.88	1227.92
Transp	579.12	585.51	572.31	574.86
UTI	177.26	180.05	178.23	178.56
Comp	474.76	476.48	470.39	473.81

NYSE Diaries	
	Close
Advanced	538
Declined	1010
Unchanged	441
Total Issues	1989
New Highs	16
New Lows	8

8.61	
3.76	
0.44	
3.14	

NYSE Index	
	Previous
High	Low
Composite	94.24 94.03
Industrials	113.32 113.06
Transp.	88.88 87.25
Utilities	42.18 42.09
Finance	90.13 89.24

Odd-Lot Trading	
	Buy
Aug. 24	125,720
Aug. 23	143,947
Aug. 22	156,579
Aug. 21	188,338
Aug. 20	133,862

*Included in the sales figures.

NYSE Diaries

Advanced	Declined	Unchanged	Total Issues	New Highs	New Lows
538	855	1010	4403	14	6

Odd-Lot Trading in N.Y.

Date	Vol.	High	Low	Chg.
Aug. 24	12,007	296.15	296.15	795
Aug. 25	12,007	296.15	296.15	795
Aug. 26	12,007	296.15	296.15	795
Aug. 27	12,007	296.15	296.15	795

AMEX Diaries

Advanced	Declined	Unchanged	Total Issues	New Highs	New Lows
204	318	201	723	14	6

NASDAQ Index

Week	Year	Open	High	Low	Close
254.74	253.78	253.78	253.78	253.78	253.78

EX Most Actives				
	High	Low	Last	Chng
27	14%	14%	14%	+ 1/4
2199	219	219	219	+ 1/4
284	18	18	18	+ 1/4
134	27	27	27	+ 1/4
1801	18	18	18	+ 1/4
929	46	46	46	+ 1/4
572	7	7	7	+ 1/4
343	3	3	3	+ 1/4
538	124	124	124	+ 1/4
279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
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279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
279	4	4	4	+ 1/4
134	12	12	12	+ 1/4
279	4	4	4	+ 1/4
134				

12 Month High Low Stock Div. Yld. PE

12 Month High	12 Month Low	Stock	Div.	Yld.	PE
101	131	AAR	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24

At 3 P.M.: NYSE Trading Slow

United Press International

NEW YORK — Prices on the New York Stock Exchange slipped Monday in some of the slowest trading of the year.

Some initial selling in both the stock and bond markets was triggered by published reports that interest rates would head higher later this year because of the strong U.S. economy and government borrowing needs.

The Dow Jones industrial average, which gained 4.09 Friday, went down 12.92 to 1223.60 an hour before the close. The Dow gained 24.63 overall last week. Declines led advances by a ratio of more than 2 to 1.

While prices in tables on these pages are from the 4 P.M. close in New York, for reasons of time this news account is based on information gathered earlier in the day.

"We are likely to have a slow week period until the Labor Day weekend is over," said Marvin Katz of Sanford C. Bernstein & Co. "Then we go back to work."

In addition to published reports, Henry Kaufman, the Salomon Brothers economist, said Friday that the borrowing trend by corporations over the past few months has accelerated because of the decline in long-term rates.

He contended that the continued strong demand would ultimately drive those rates up.

Furthermore, a report late Friday said the Federal Reserve's Open Market Committee in July voted to maintain the target and lowered its short-term money targets. It is not known what the committee decided at the August meeting.

At the same time, the Fed said Friday that loan demand at the nation's banks declined \$453 million in the latest statistical week. And that, according to many analysts, is good news for interest rates.

The gain comes background drove the bond market lower and "stock followed right along," said Dudley Eppel of Donaldson, Lufkin & Jenrette. "It's a slow day, however."

Hugh Johnson of First Albany thinks there "should be a slowing of the money supply growth, which would be good for the bond market and interest rates." He expects a 0.5-percent decline in the government's leading economic indicators Wednesday, which would add pressure for the Fed to ease restraints.

Sears, Roebuck (ex-dividend), which is opening 20 new financial services centers, was the most active NYSE-listed issue, unchanged at 36.

International Harvester was the second most active issue, up 1/4 to 7 1/2. Chesapeake-Pond was third on the stock exchange, off 1/4 to 3 1/4.

Among the other breakers, E.F. Hutton was down 1/4 to 3 1/4, Paine Webber 1/4 to 3 1/4, Salomon Brothers 1/4 to 3 1/4 and Advest 1/4 to 10.

AT&T was up 1/4 to 19 1/4 in heavy trading. AT&T plans to lay off 11,000 workers at its AT&T Technologies unit. IBM was down 1/4 to 124 1/4 in active trading.

Semiconductor issues were lower after spurring late last week. Texas Instruments was down 1/4 to 144 1/4, Advanced Micro Devices 1/4 to 40 1/4, Motorola 1/4 to 43 and National Semiconductor 1/4 to 15 1/4.

12 Month High Low Stock Div. Yld. PE

12 Month High	12 Month Low	Stock	Div.	Yld.	PE
245	51	374	0.01	48	47
245	51	374	0.01	48	47
245	51	374	0.01	48	47
245	51	374	0.01	48	47
245	51	374	0.01	48	47

12 Month High Low Stock Div. Yld. PE

12 Month High	12 Month Low	Stock	Div.	Yld.	PE
101	131	AAR	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24

12 Month High Low Stock Div. Yld. PE

12 Month High	12 Month Low	Stock	Div.	Yld.	PE
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101	131	AMC	0.21	35	24
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12 Month High	12 Month Low	Stock	Div.	Yld.	PE
101	131	AAR	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24
101	131	AMC	0.21	35	24

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Statistics Index

AMEX prices	P.10	Filing Date Notes	P.10
NYSE prices	P.10	Gold Standard	P.10
Commodity prices	P.10	NYSE & Amex 1984	P.10
Currency rates	P.10	Interest rates	P.10
Commodities	P.10	Market Summary	P.10
Dividends	P.10	OTC Stock	P.10
Services reports	P.10	Other Markets	P.10

TUESDAY, AUGUST 28, 1984

FUTURES AND OPTIONS

Enrodollar Contracts Steal Show From Treasury Bills

By H.J. MAIDENBERG
New York Times Service

NEW YORK — Not long ago, Treasury bills were the 90-day wonder of the short-term financial-futures market. No more. Today the wonderkind of the short-term market are the 90-day Eurodollar deposit futures, which until recently were considered too esoteric to use as either hedging or speculative vehicles.

Last week, for example, 55,000 Eurodollar futures were traded on the Chicago Mercantile Exchange, against that market's 36,500 Treasury-bill futures. More important, the open interest in Eurodollars was 92,500, compared with the 45,200 bill contracts. Open interest, in effect the number of outstanding contracts, is a key indicator of futures-market liquidity.

Money managers are hesitant about hedging Treasury bills.

Also, the Eurodollar volume in July was 438,600 contracts, up from 72,000 traded in July 1983. By comparison, the year-over-year T-bill futures volume in July rose to 315,000, from 284,000. While trading in both contracts continued to rise this month, exchange officials expect the Eurodollar volume to show a much higher increase.

"One reason why the rise in Eurodollar volume is now second only to that in Treasury bonds, the most active of all futures traded, is that the Eurodollar contract is settled in cash, rather than by the exchange of actual instruments," said Steven Blitz, financial-futures-market specialist at Salomon Brothers.

The delivery factor is important, Mr. Blitz explained, because all contracts are priced off what happens to be the cheapest underlying goods a trader can deliver. This is so even though less than 10 percent of all Treasury-bill futures traded ever wind up being delivered.

"While futures markets serve basically as 'price discovery' mechanisms, hedgers and speculators must always operate as if they will have to deliver or receive the goods they trade," he continued.

BECAUSE Eurodollar futures, which like Treasury bills are traded in units of \$1-million (face value), are settled in cash, the supply of the underlying instruments is not a market factor. But supply is a factor in the bill-futures market, although few are actually delivered.

Oddly, the market's growing preoccupation with the supply of deliverable bills is attributed to the flight to quality among investors in certificates of deposit of troubled banks and thrift associations.

The demand for bills has persisted, despite the increasing amount sold by the Treasury each week. This has caused bill prices to rise and rates to decline, which has made many money managers hesitant to hedge them. Most hedging consists of selling bill-futures short as insurance against a price decline.

The flight to quality is also the main reason why trading in CD futures on the Chicago Mercantile Exchange has been shrinking. CD-futures volume last week declined to 8,400 contracts of \$1-million face value from 10,300 the week before. Last July CD volume fell to 66,300 contracts from 90,000 in the 1983 month.

Eurodollar futures, on the other hand, have become a chief hedging instrument for overseas banks and other financial entities that have been absorbing huge amounts of dollars flowing into their countries because of this nation's record trade imbalances, among other reasons.

Richard L. Sandor, senior vice president of Drexel Burnham Lambert, Chicago, and a leading designer of several financial-futures markets, observed last Friday:

"The strength of our Eurodollar market has not been at the expense of a similar market on the London International Financial Futures Exchange. On the contrary, the growth of the (Continued on Page 9, Col. 1)

Zanussi, Electrolux Sign Pact

Banks' Approval Is Still Sought

By Juris Kaza
International Herald Tribune

STOCKHOLM — An agreement has been reached between the main shareholders of Zanussi SpA and Electrolux AB for a financial restructuring of the Italian company that would give Electrolux a 49-percent share.

Electrolux's chief financial officer, Lennart Ribohm, stressed Monday that the weekend agreement had been reached with the Zanussi family and Mediobanca, an Italian investment bank, but that details of the takeover had still to be worked out with Zanussi's foreign creditor banks.

"Hopefully we will have a deal with them in two to three weeks," he said.

Swedish analysts responded favorably to Electrolux's announcement that it had agreed to the purchase, which is valued at at least 700 million kronor (\$84.26 million).

"We believe Electrolux will pull it off and come out of the deal stronger than before," said Leif Vindevang, head of capital markets research at Skandinaviska Enskilda Banken, a leading Swedish commercial bank.

Mr. Ribohm said the purchase would double to 25 percent the Swedish group's European market share for home appliances, or so-called white goods.

He declined to forecast when the Italian appliance maker would show a profit again, but he stressed that Electrolux would not have gone ahead if it did not think Zanussi could be returned to profitability.

Under the agreement, Electrolux will subscribe to new shares in Zanussi for 47 billion lire (\$26.45 million) and provide a convertible loan of 100 billion lire to the financially ailing group.

Conversion of the loan, the terms of which have not been set, would give Electrolux a 74-percent share in Zanussi, according to Mr. Ribohm.

In addition, Electrolux will buy the Zanussi family's shares in the company for an undisclosed sum once the capital stock of the Italian industrial group is written down to a nominal 4 billion lire from 80 billion lire now.



Federal Express planes are loaded after midnight in Memphis, the company's home base.

Federal Express Taking a Chance By Offering Electronic-Mail Service

By Peter W. Barnes
New York Times Service

NEW YORK — Federal Express Corp. has made a habit of turning businesses into industries. In 1973, the business was shipping packages overnight. Three years later, it pushed into overnight documents. Then in 1981 came overnight letters. Now the company, flush with confidence from its success so far, is turning to electronic mail.

But electronic mail may be one of its riskiest ventures yet, analysts say. Federal Express plans to invest as much as \$1.2 billion over the next decade in electronic mail, nearly the amount it has spent to date on airplanes and trucks for its regular service.

The risk, experts say, is that the electronic mail technology it has chosen — facsimile machines — may make quick profits for the company now, but leave it out of future competition when most offices are computerized.

The company, as ever, is confident. It expects

that over the next two years, the service, which it has named Zapmail, will replace as much as 30 percent of its existing document and urgent letter traffic, which, at 180,000 pieces a night, now accounts for a third of its revenues and more than half its package shipments. By 1988, he has said, Zapmail could be generating \$1.33 billion in sales, or about a third of Federal Express's expected overall revenues, up from about \$35 million this year.

Introduced in early July, Zapmail differs from traditional electronic mail now being offered by MCI Communications Corp., Western Union Corp. and several other competitors.

Aiming at customers who would rather have a document in hand, Federal Express, based in Memphis, Tennessee, is using facsimile machines to send documents in as little as an hour in 80 percent of the territory it serves. The other companies (Continued on Page 11, Col. 5)

FEDERAL EXPRESS AT A GLANCE

All dollar amounts in thousands, except per share data

Three months ended	1984	1983
May 31		
Revenues	\$413,187	\$392,523
Net income	58,983	27,394
Earnings per share	\$0.81	\$0.81
Year ended	1984	1983
May 31		
Revenues	\$1,438,305	\$1,008,087
Net income	115,430	88,933
Earnings per share	\$2.52	\$2.03

Main Lines of Business

Company provides overnight delivery of small parcels throughout the United States and parts of Canada.

Total assets, May 31, 1984	\$1,825,808
Current assets	228,138
Current liabilities	255,910
Long-term debt	436,158
Book value per share, May 31, 1984	\$18.47
Stock price, Aug. 23, 1984	
NYSE E. consolidated close	43 1/4
Stock price, 52-week range	40 1/2-57 1/2
Employees, May 31, 1984	24,000
Headquarters	Memphis

U.S. Considering Steel Pact With Third World

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — A consensus is building within the Reagan administration that the United States should negotiate limits on steel imports with Third World suppliers, including Brazil and South Korea, according to administration trade officials.

They said the limits would be part of plans being formulated to protect the U.S. domestic industry from foreign competition.

President Ronald Reagan must decide by Sept. 24 what action to take on a proposal by the U.S. International Trade Commission to place worldwide quotas and higher tariffs on steel imports.

The recommendation was the trade agency's response to a petition for protection by Bethlehem Steel Corp. and the United Steelworkers of America union.

Imports have surged to 25 percent of the market, from 15 percent in the late 1970s.

Some administration strategists want the president to act before Sept. 24 in take the initiative from Democrats in the House of Representatives, who are expected to get an industry-backed bill proposing quotas to the floor soon after Congress reconvenes in September.

But that bill to limit imports to 15 percent of the domestic market, is considered unlikely to get through the Republican-controlled Senate.

The administration is fighting the bill because it feels it is far too restrictive and would invite foreign retaliation.

Meanwhile, South Korea's Iron and Steel Association is distributing a brochure to trade agencies, members of Congress, journalists and others with the message that "quotas will hurt, not help, the U.S. steel industry."

An interagency group known as the Trade Policy Committee is preparing a recommendation for the president.

Commerce Secretary Malcolm Baldrige, who negotiated steel restraints with Western Europe in 1982, is pushing a plan that would leave existing arrangements with traditional suppliers, such as the European Community, Japan and Canada, largely unchanged, and impose restraints on major new suppliers, chiefly from the more advanced developing countries, according to a senior official who asked not to be identified.

He said the department plan has won "some support" from the Treasury and State departments, who are also part of the decision-making process.

Korea is the leading Third World supplier, accounting for about 11 percent of U.S. imports last year.

Brazil, whose share of imports was 4 percent, engaged in negotiations earlier this year, but the talks collapsed because the gap was too wide between the industry's demands and the level of restraint Brazil was willing to accept.

The European Community agreed in 1982 not to take more than 5.76 percent of the total market for steel in the United States over the ensuing three years.

Japan has maintained its shipments since the late 1970s at 5 percent to 6 percent.

Canada accounts for about 3 percent of the total market, and its share would be maintained, according to the senior official.

Mexico and South Africa have already reached agreements with the American industry under which they have reduced shipments to specified levels in return for withdrawal of unfair trade complaints.

Industry representatives were not enthusiastic about the plan.

One industry source, who asked not to be identified, said: "The bottom line is what happens to imports. If they are reduced to 15 percent of domestic consumption, the plan will have the industry's blessings. If not, thunder will be heard in the heavens."

Midway Airlines Plans Merger With Air Florida

The Associated Press

MIAMI — Midway Airlines has reached a merger agreement under which it would put Air Florida back in the air next month and rehire at least 200 of the grounded carrier's laid-off employees, company officials said Monday.

"We have a plan," John K. Olson, an attorney for Air Florida, told U.S. Bankruptcy Judge Sidney Weisberg.

"We will have Air Florida flying" by the middle of September or the end of the month at the latest, he said.

Details of the plan were not given in court. Judge Weaver had threatened to appoint a trustee if Miami-based Air Florida failed to produce a realistic business plan by Monday.

Air Florida said at the hearing that it had a letter of intent from Midway, drawn up Sunday night. Judge Weaver gave both carriers until Sept. 14 to return to court with a final, signed agreement.

Judge Weaver suggested that it was the last deadline he would give. But he said the plan they presented "has possibilities."

Arthur Bass, chairman of Chicago-based Midway, estimated it could cost up to \$7 million to get Air Florida flying again.

He said the two airlines will be independently operated during the first phase of the agreement.

In the initial phase, Midway intends to use at least four of Air Florida's grounded Boeing 737s. Mr. Bass said. He did not say whether the planes would be bought, leased or borrowed.

Midway also will hire 235 Air Florida employees by the end of September. An additional 35 to 40 workers would be secured during the plan's second phase in November, Mr. Bass said.

All 1,200 Air Florida employees were laid off when the carrier halted operations and filed on July 3 for protection from its creditors under Chapter 11 of the Federal Bankruptcy Act.

Attorneys for Midway said they would file an emergency application with the Civil Aeronautics Board, which must approve transactions involving the acquisition of assets from one carrier to another.

The Federal Aviation Administration, one of Air Florida's largest creditors, deferred its right to take back aircraft the carrier was operating until Sept. 14.

Becker Paribas Sale to Merrill Involved Backstage Tussle With Paine Webber

By Fred R. Bleakley
New York Times Service

NEW YORK — On Monday morning, Aug. 6, the denizens of Wall Street arrived at work with a sense of gloom. Only a few days earlier, the stock market finally had snapped out of its year-long slump and had started to generate the heady gains that reminded brokers of the glory days of August 1982.

There was money in the air that morning.

But at 55 Water St., the headquarters of Becker Paribas Inc., there was apprehension. For days the firm had been abuzz with rumors that its French banking partner, Compagnie Financière de Paris et des Pays-Bas, was preparing to bail out because of Becker's heavy losses.

By 9:30 A.M., Becker employees watching the Dow Jones news wire spotted the announcement: Merrill Lynch would acquire Becker Paribas for \$100 million in Merrill shares but would absorb only a few hundred of the firm's 2,000 employees.

"It was like being poked in the eye with a sharp stick," said one investment banker at the firm.

Indeed, a sense of disbelief greeted the announcement and still persists three weeks later at Becker and elsewhere on Wall Street. Only a month and a half before, Paribas had seemed to make a lasting commitment to Becker by increasing its ownership of the New York operation to 100 percent from 57 percent, an action that injected \$100 million in new capital. The sale price, only \$100 million in Merrill Lynch stock, was at least \$125 million less than Paribas had invested in Becker in recent years. And in deciding to sell to Merrill, Paribas had turned down a higher offer for Becker from Paine Webber.

An earlier Wall Street merger helps to explain why Paribas was willing to invest so much new money in Becker in June and then bail out in August at a fire-sale price

that totaled only Becker's book value.

In May, Lehman Brothers Kuhn Loeb, a midsize firm, was merged into Shearson/American Express. Becker had been losing money all year and as its losses continued to mount in June and July, Paribas executives reflected on the speed with which the Lehman deal had taken place and the hefty \$350-million price tag, which was 2.8 times the book value of Lehman shares.

"We perceived this as a signal that a firm like ours could work out an arrangement to sell itself to another firm in a matter of a few days or a week," said Herme M. Pinet, the executive who Paribas chose to head Becker 15 months earlier.

Mr. Pinet claims that Paribas never wanted to be the 100-percent owner of Becker Paribas, but had bought out Becker employees in June largely because the employees were alarmed about the losses and the impact of those mounting losses on their Becker holdings. He added that Paribas had no intention of selling the company when it made that investment.

The countdown to the end of Becker Paribas began in earnest on July 17. Top officials of Paribas gathered with Becker's executive committee in a general review of operations. Becker had been losing money at the rate of about \$15 million a month since March and as one Becker official recalled, "We were destroying Paribas, which earned \$143 million last year. It wasn't as if we were owned by General Motors."

At that meeting, Becker's top U.S. executives were told that within two weeks the decision would be made to either sell off major pieces of the firm or to dispose of it entirely.

Mr. Pinet had already been approached by Paine Webber Inc., another securities firm, to see if his firm was interested in selling its commercial-paper operation.

Becker Paribas is a leading force in that business of raising short-term funds for corporations.

When Donald B. Marmon, Paine Webber's chief executive, first suggested buying only the division, Mr. Pinet said last week, "I told him we had no interest in disposing of only one aspect of the firm. But then we met another time and the possibility of doing something larger was discussed."

Prompting Paribas's decision to npt out of Becker, Mr. Pinet said, was the recognition that "the first six months of 1984 accelerated the changes in the markets and the securities industry." The sharp volatility in prices of fixed-income securities and the slump in trading volume of stocks led to Becker's operating losses, which totaled \$77 million in the nine months ending July 31. Although Wall Street firms had all suffered from the Dow's decline, Becker's losses were proportionately greater.

Mr. Pinet said: "We reached the conclusion that it would be better to combine the firm into a larger, major one."

Insiders at Becker and on Wall Street are quick to point to government securities trading as the culprit for much of Becker's losses this year. But the real problem was high overhead and a lack of revenues in the equity, fixed income and investment banking divisions.

But in the negotiations with Paine Webber, Paribas hit a snag. Paine Webber became less than enthusiastic when the discussions focused on the sale of the entire firm rather than one division, but the firm made a bid anyway for the entire company.

That bid, early this month, apparently disappointed Paribas. Becker officials, who asked not to be named, said it came in approximately \$50 million, only about half the \$100 million book value represented by the equity ownership of Paribas. Mr. Marmon declined to comment on Paine Webber's dis-

cussions with Becker, as did Mr. Pinet.

While top officials of the firm sought to keep their talks with Paine Webber under wraps, anxiety among Becker employees was mounting. Although the firm had not said it was in merger talks, the awareness of continuing losses and the presence of Paribas's French executives pouring over the books in New York boded that something big was about to happen.

During the week before the Merrill Lynch merger announcement, speculation was rampant within the firm and on Wall Street that a merger was being worked out with any one of a number of firms. There was a "rumor du jour," as one wag put it. First Paine Webber was named as the marriage partner. Then it was Morgan Stanley. And then Nomura Securities, the big Japanese brokerage, was said to be in the picture. Both Morgan Stanley and Nomura deny they had discussions with Becker Paribas about a merger.

Mr. Pinet prepared for the possibility of a low bid from Paine Webber. Several days earlier he had telephoned William Schreyer, Merrill Lynch's chief executive to ask if Merrill would be interested in Becker. Mr. Schreyer was interested. He alerted several Merrill Lynch executives to get ready, recalls Jerome P. Kenney, the Merrill Lynch chief of investment banking. He eventually headed his firm's negotiating team and worked out the merger.

The call from Mr. Pinet came on Friday morning, Aug. 3. By that afternoon a half dozen or so Merrill executives were meeting with the Becker executive committee at the Park Avenue offices of the invest-

ment banking firm headed by and named after James Wolfensohn, who represented Paribas.

Merrill's first bid for Becker Paribas, according to Mr. Kenney, was for about \$25 million. But Paribas was determined to receive at least its \$100 million book value for Becker. "It would have been embarrassing for them to sell for less," said Mr. Kenney. In addition, if Paribas sold below book it would have had to report another loss on the parent company's financial statement.

So suddenly Paribas sweetened its side of the deal by throwing in Becker Paribas's \$125 million in tax-loss carry forwards, a sizable portion of which a profitable firm could then use to offset its own income taxes. After more talks, Mr. Kenney and his team increased their bid by another \$15 million in approximately \$100 million.

Meanwhile, Paine Webber had been informed that there was now another bidder and that tax loss carry forwards were part of the deal. That evening, while Merrill Lynch executives were meeting in one suite of Mr. Wolfensohn's offices with their own lawyers and accountants, Mr. Marmon of Paine Webber was in another sector of the complex talking to Becker Paribas's executive committee for several hours. Neither Paine Webber nor Merrill Lynch were told who the other bidder was.

Paine Webber's bid, said Mr. Kenney, ended up about 15 percent higher than Merrill's and Paribas then asked Merrill to reconsider and go higher. Merrill gambled and

decided to stay where it was at \$100 million in stock, said, partly because that was the limit it had set and also because "we felt we had the upper hand."

In addition, said Mr. Kenney, "We knew there was an urgency to do something and we were in a position to benefit. We saw no reason to provide a premium over book value." He was right.

Despite the premium Paine Webber offered, in the end Paribas chose Merrill largely because they already had a business relationship, according to Merrill executives.

Merrill and Paribas each own 25 percent of Sun Hung Kai, a leading Hong Kong securities firm.

Merrill stands to gain from several standpoints. First of all, the deal is virtually risk free. In return for its \$100 million in stock, Merrill (Continued on Page 11, Col. 5)

Currency Rates

Late interbank rates on Aug. 27, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates at 2 P.M. EDT.

	\$	£	D.M.	F.F.	Y.F.	S.F.	Y.F.
Amsterdam	2.285	1.234	12.825	36.74	81.822	5.391	125.57-134.41
Brussels	26.16	25.72	25.184	5.52	2.550	—	24.98-24.94
Frankfurt	2.832	3.76	—	22.60	1.015	8.67	4.55
London	1.778	1.231	—	—	—	—	—
Milan	1.778	1.231	—	—	—	—	—
Paris	6.617	11.222	367.07	—	4.552	27.36	36.78-36.84
Tokyo	241.05	314.77	83.78	72.25	13.57	74.45	41.63-101.30
Y.F.	2.402	2.168	82.30	27.45	8.134	73.84	4.39
1 ECU	0.785	0.959	3.235	0.841	1.2478	2.572	1.875-18.21
1 SDR	1.3674	1.3674	2.9170	0.9477	1.58536	2.578	28.705

Dollar Values

	Per	U.S.	Per	U.S.	Per	U.S.
Bank of Australia	1.648	1.648	1.648	1.648	1.648	1.648
Bank of Canada	0.712	0.712	0.712	0.712	0.712	0.712
Bank of France	6.572	6.572	6.572	6.572	6.572	6.572
Bank of Germany	1.793	1.793	1.793	1.793	1.793	1.793
Bank of Italy	16.43	16.43	16.43	16.43	16.43	16.43
Bank of Japan	162.5	162.5	162.5	162.5	162.5	162.5
Bank of Korea	115.0	115.0	115.0	115.0	115.0	115.0
Bank of Mexico	7.485	7.485	7.485	7.485	7.485	7.485

Source: Reuters. 1 U.S. dollar = 100 cents. 1 U.S. dollar = 100 cents. 1 U.S. dollar = 100 cents.

BUSINESS ROUNDUP

U.S. Chip Shortage Appears to Ease

By David E. Sanger
New York Times Service

AUSTIN, Texas — A critical shortage of semiconductors appears to be easing, after a year in which many makers of computers, videotape recorders and other electronic products were forced to reduce production.

Both manufacturers and industry experts say that some parts, especially a new generation of more powerful microprocessors, are still in extremely short supply. But backlogs for older products, especially 64K memory chips and Erasable-Programmable Read Only Memories, known as EPROMs, have declined sharply.

In part, the greater availability of semiconductors is attributable to an expected seasonal slowdown in orders. But several crash programs, involving seven-day-a-week operation of silicon-wafer fabrication plants and the building of new production lines, have also increased the industry's capacity.

"The output has come up relatively fast," said Frederick Zieber, senior vice president of Dataquest, a California market-research group. "And there is still quite a bit of demand."

Nonetheless, at least a small part of the reduction in manufacturers' backlogs appears to be due to a slowing of sales of personal and home computers.

"Early in the year, we saw a lot of people with aggressive building plans in the PC arena," said Peter Smyth, North American sales man-

ager of Mostek, a Dallas-based manufacturer that specializes in memory chips.

"A lot of these plans, especially for the IBM-compatible manufacturers, have not worked out, and new orders have been trimmed."

At the same time, Mr. Smyth and others have noted, the continued strength of automobile sales and increased shipments of telecommunications equipment have kept some products in short supply.

The Semiconductor Industry Association's most recent survey of American, European and Japanese manufacturers showed that in July orders for all semiconductor products exceeded shipments by 6 percent, a figure that is expected to be revised upward. In June, it was 15 percent, and the high was reached in January, when orders outstripped shipments by 33 percent.

Industry executives say they do not believe the downward trend signals the beginning of troubles for the largest semiconductor makers.

"Until June, the limit on our bookings was how much we would allow the sales force to accept," said James W. Jarrett, a spokesman for Intel Corp., whose microprocessors have been among the most heavily sought.

Moreover, estimates for production and consumption this year remain high. The industry association estimates that U.S. manufacturers will ship \$13.5 billion in semiconductor products this year, up from \$9.6 billion in 1983.

About \$11.2 billion of semiconductors, including imports from Japan, will be sold in the United States this year, up from \$7.76 billion last year.

The signs of confidence are everywhere. In Austin, Motorola has begun moving into a giant manufacturing plant in suburban Oak Hill, even though it is not complete, and at another plant, nonmanufacturing personnel have been moved into trailers to create more room for manufacturing, and more shifts have been added.

Similarly, Mostek is running its Carrollton, Texas, Colorado Springs plants seven days a week. Intel last month began volume production in its biggest plant yet in Albuquerque, New Mexico.

Still, industry experts say they detect some nervousness about the expansion. Sharp downturns in demand in 1971, 1974 to 1975, and 1980 to 1982 forced heavy layoffs.

To avoid a repeat, many manufacturers are producing more proprietary chips for specific companies, rather than the commodity chips subject to market fluctuations.

Companies also seem less reluctant to "second source" their products, the industry term for permitting a competing manufacturer to produce a popular product, usually in return for royalties or reciprocal rights to produce the competitor's best product.

Advanced Micro Devices will soon be producing Intel's two newest microprocessors, the 80186 and the 80286.

First-Half Profit Seen for Bank In Hong Kong

Reuters

HONG KONG — Hong Kong & Shanghai Banking Corp. is likely to report first-half earnings of about 1.04 billion Hong Kong dollars (\$133.3 million) Tuesday, compared with 964 million dollars in the first half last year, analysts said Monday.

Strong growth in the Hong Kong economy, with exports up sharply, has benefited the group, they said. It is also likely to make reduced provisions for doubtful debts.

The chairman of the bank, Michael Sandberg, told the annual meeting in May that the bank had followed a conservative policy in accounting for all known bad and doubtful debts.

The bank does not generally detail its provisions against bad loans. Its 1983 annual report gave one example, that of group loans to the collapsed Carian Investments Ltd. The bank said total involvement was under 200 million, and said provision had been made for anticipated losses.

The bank's first-half earnings rose to 964 million dollars in the 1983 first half, from 888 million in the year-earlier period. For the full 1983 year ended Dec. 31, earnings rose to 2.49 billion dollars.

Opel Hopes New Kadett Will Lift Market Share

By John Tagliabue
New York Times Service

BONN — Adam Opel AG, the European subsidiary of General Motors Corp., is introducing a model next month that highlights broad changes in the company's production and design strategies. The new model may help the company reverse a slide in its key West German market.

The car, to be built in West Germany, Belgium and Britain, is an updated version of Opel's popular Kadett, known in Britain as the Astra. The Kadett is a four-year-old workhorse that accounts for about 35 percent of the company's European sales.

The new car is the linchpin of Opel's strategy to combat sales problems that were caused in part by Volkswagen's introduction last year of its best-selling new Golf model, which competes head-to-head with the Kadett. Opel's strategy is to shed its image for stodgy reliability by building a car that combines performance with aerodynamic flair.

With the advent of the new Kadett, GM is expected to begin an effort to sell more than 1.3 million cars in Europe next year. Analysts say Opel is evidently gambling that the new Kadett can lure customers from competitors such as Volkswagen and Ford, and that the market share of Opel can rise to 12 percent or more, from its current level of 11.6 percent in Europe.

The new Kadett is also expected to dovetail with GM's worldwide

plants, which foresee assembly of modified versions in South Africa, for the local market, and in South Korea, at the automobile division of Daewoo Corp., for Asian markets. Daewoo is 50-percent owned by GM.

Eventually, Opel's big new assembly lines at factories in Germany, Belgium and Britain are expected to turn out about 550,000 of the new Kadetts a year, using a modular system that reduces the cost of assembly by smoothing the flow of production lines.

Volkswagen was chided by critics because the new Golf looked very much like the old Rabbit, despite superior new engineering beneath the skin. Opel, however, has produced a new Kadett series

based on the old model's front-wheel-drive engineering, but wrapped in a daring new package. The curved lines of the new car are vaguely reminiscent of Ford's Sierra model.

Opel engineers claim the new Kadett's design makes it the car with the lowest wind-resistance factor on the German market.

Describing it as "probably the most progressive car that competes head-on with the Golf," Paul Schimhofen, a critic at Auto Motor Sport, a leading trade publication, said the new Kadett put Opel's chances of dislodging Volkswagen from the No. 1 spot "under a good omen."

The European market has become increasingly competitive because of slower overall growth rates

and the influx of low-cost Japanese autos. Costly investments in new models and plants have paid off for GM, however. By the middle of this year, it had increased its share of the European market to the 11.6 percent mark, from 9.6 percent at the end of 1982.

But in Germany, the largest market, Opel faced sharp declines in sales this year. Ferdinand Beikler, Opel's chairman, announced last Thursday that sales dropped 13.8 percent in the first six months of 1984. Opel's share of the German market fell to 17.4 percent, from 18.5 percent in all of 1983.

GM had earlier announced that its European operations, largely due to the slump in West Germany, posted a \$92-million loss in the first half of the year.

AMC Head Says Car Industry Not Prosperous

United Press International

DETROIT — The chairman of American Motors Corp. says the U.S. auto industry is billions of dollars short of prosperity despite projections of \$11 billion in profits for 1984.

Paul Tiptopp, chairman of AMC, told the opening session of the Automotive News World Congress here that industry analysts' predictions of \$11 billion in profits in 1984 have made people forget that automakers lost more than \$4 billion in 1980 alone.

Total losses and capital investments for the companies in 1980-83

were \$42 billion, Mr. Tiptopp said, compared with \$6.5 billion in earnings for the first six months of 1984.

"We can be proud that we stuck to our guns to return to profitability, but we're still about \$35.5 billion shy of getting back to the starting gate in terms of the losses and investments of the past," Mr. Tiptopp said.

Mr. Tiptopp and other top AMC executives have not earned bonuses since 1979 because the company has not turned an annual profit, but his counterparts at General

Motors Corp. and Ford Motor Co. each received bonuses of close to \$1 million this year.

The AMC chairman said he did not want to get into a debate about the size or timing of the bonuses.

But he noted that the chairman of NCR was the highest paid U.S. executive. The leaders of First Boston, Philbro-Salomons and Sears, Roebuck and Co. all earned more than auto executives "even though, by any rational standard, those companies are smaller and less critical to the U.S. economy than the auto industry," Mr. Tiptopp said.

Atari to Sell Faster Computer, Sees Return to Profitability

The Associated Press

SUNNYVALE, California — Atari Corp. said Monday that it will begin selling more powerful computers for the home and office at "rock-bottom prices" in 1985 and expects a return to profitability by the end of this year.

Atari, providing its first strategic outline since Warner Communications Inc. sold the company July 2, said it will introduce its new computers at a trade show in January in Las Vegas.

James L. Copland, Atari's vice president for marketing, declined comment when asked if Atari would make all of the new products itself or market certain products from outside sources.

But he said, "We're gearing up for a very, very successful year beginning January 1985. I can assure you we'll be making a profit before then."

Atari, a video-game pioneer that later moved into the home-computer business, was sold for \$240 million in debt and other considerations to Jack Tramiel, founder and former head of Commodore International Ltd., the industry leader in home computers.

The sale came after Atari, hit by lagging demand for video games, bulging inventories and other problems, lost \$539 million in 1983.

In the first half of this year, Atari was mostly responsible for Warner incurring another \$406.8 million loss because of Atari's own operating losses and the loss Warner took in selling the company.

But rather than retreat from the video-game market, as some analysts had suggested, Mr. Copland said Atari will "very aggressively go after a larger share of the market."

At the same time, Atari will broaden its line of personal computers from eight-bit home models, that is, those that can process eight pieces of data simultaneously, to more-powerful 16-bit and 32-bit machines that can run more-complex software at faster speeds.

Mr. Copland said, "Knowing the pricing philosophy of Jack Tramiel, we're going to be having rock-bottom pricing."

Mr. Tramiel helped make Commodore the leader in home com-

puters by slashing the price of its best-selling Commodore 64 to \$200 while keeping costs low.

Mr. Copland said the 32-bit machines Atari sells would underwrite the \$250 million of Apple Computer Inc.'s 32-bit Macintosh, and Atari's other computers also will be priced under those of competitors.

Atari will offer "good value and high performance" products in an effort to compete in the same market as International Business Machines Corp.'s Personal Computer and Apple's Macintosh, Mr. Copland said.

Since arriving at Atari, Mr. Tramiel has made deep cuts in Atari's operating costs, resulting in the layoff of hundreds of workers and the consolidation of various departments.

COMPANY NOTES

BAT Industries is being allowed by the West German Cartel Office to raise its stake in Herten AG, a department-store chain, to 51 percent from 49 percent. The stake is held by BAT's wholly owned West German holding subsidiary, Batig Gesellschaft für Beteiligungen GmbH. Batig raised its shareholding earlier this month to 49 percent from 44 percent.

British Petroleum, Esso, Conoco and Getty-Oil are exploring exploration contracts from Egypt in the Gulf of Suez and the eastern Sahara. The total value of the contracts was put at \$201.7 million.

Chrysler Corp. may not start contract talks with the United Auto Workers until next year, the chairman, Lee A. Iacocca, said. The contract, covering 56,000 domestic autoworkers, expires in October 1985, but Mr. Iacocca said he wanted to wait and "look at how big the pie is."

Dravo Corp. said its cargo-handling subsidiary, Ryan-Walsh Stevedoring Co. Inc., has been awarded a contract worth more than \$10 million to provide stevedoring services at the U.S. Army's Military Ocean Terminal at Sunny Point, North Carolina. The contract extends for a two-year period.

Epson Corp., a Japanese maker of office printers, said it has agreed to purchase land in Portland, Oregon, for a factory to produce printers for personal computers. A plant in France is due to start operations in October. Epson currently exports 60 percent of production to the United States from Japan.

Evergood Products Corp. said it concluded a joint-venture agreement with General Life NV of Antwerp, Belgium, to own and operate specialty vitamin stores in Antwerp, Brussels and Amsterdam.

Under the terms of the agreement, Evergood's Phoenix Laboratories Ltd. overseas marketing subsidiary will have a 50-percent interest in the venture.

Hyundai Motor Co. of South Korea said it exported 28,704 cars in the first eight months of this year, up 27 percent from a year ago. The January-August total, valued at \$101 million, included 17,905 cars that were shipped to Canada. Company officials said Hyundai's exports were expected to number 40,000 cars by the end of the year.

Peugeot SA refused to comment on French press reports that its chief executive, Jean-Paul Parayre, intends to step down soon. The reports said Jean Calvet, who joined Peugeot in 1982 and currently heads the group's two manufacturing units, Automobiles Peugeot and Automobiles Citroën, is

the most likely candidate to succeed Mr. Parayre.

Rolls-Royce Ltd. of Britain, the state-owned aircraft engine maker, said its 1984 loss will be less than half of last year's \$253 million loss.

Serono Laboratories Inc., a unit of Ares-Serono Group of the United States, said it is starting clinical trials with newly diagnosed patients with Acquired Immune Deficiency Syndrome in a study expected to demonstrate that its TP-1 serono drug significantly improves chances of survival for AIDS sufferers when used with other drugs.

Triumph-Adler AG, the troubled office-equipment subsidiary of Volkswagenwerk AG, said it expects to take a year longer than planned on its restructuring. The company made a loss of 50.2 million Deutsche marks (\$17.9 million) last year.

United States Steel Corp. said it expects to report a profit for the first time in 1984.

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DKB ECONOMIC REPORT

August 1984: Vol. 13, No. 8

18-month-old recovery in Japan gathers momentum as domestic demand picks up

This year's growth rate projections for all of the OECD economies have been revised upward: examples — from 5 to 6 per cent for the U.S., from 2 to 3 per cent for West Germany and from 3.5 per cent to 4.25 per cent for the entire group. The recovery of the Japanese economy is also quickening, led by vigorous expansion of the U.S. economy.

After hitting a low point in February 1983, the Japanese economy has been in the process of recovery. It is looking increasingly bright as recovery of private demand has become clearer.

Recovery of business capital investment has been particularly pronounced. It was responsible for 0.88 point of the 1.1 per cent gain in gross domestic private demand in the first three months of this year over the preceding quarter. Capital spending is believed to have continued to be strong in the subsequent months to the light of the trend of orders for machinery, a leading indicator, among other things. The Bank of Japan's short-term business survey (made in May) underscored the trend by showing that leading manufacturing concerns' capital investment programs for fiscal 1984 are 11 per cent ahead of their spending in fiscal 1983.

Another area of recovery is housing. Housing starts stayed above the year-earlier level for four months in a row since February: the year-to-year increase was particularly large in April and May — 10.9 per cent and 16.8 per cent, respectively. Housing investment appears to be coming out of the prolonged doldrums that set in following the second oil crisis, thanks to continued stability of building costs and a lowering of the housing loan interest rate to 7.52 per cent in April, the first time in about five years that it has come down below 8 per cent. A continued moderate recovery is considered to be in store.

It also looks safe to assume that personal consumption will

perk up gradually with summer sales and leisure activities as boosters. There are a few developments that support this assumption — increasing overtime income and employment, coupled with summer bonuses which are believed to have grown by a margin larger than last year's. Thus, growth of disposable income is likely to pick up gradually.

In the meantime, exports, the locomotive of business recovery, are maintaining a robust upturn. On a customs clearance basis, they increased 20.3 per cent during April through June over the corresponding period of last year. Those to the U.S., a market that accounts for one-third of Japan's total exports, posted an outstanding increase of 49.4 per cent. The growth rate, however, is expected to slow down in the months ahead because the U.S. economy is forecast to expand at a more sober pace in the latter half of the year.

Despite a likely slowdown in expansion of exports, the Japanese economy will continue to achieve balanced growth for the time being because domestic demand stands to assume increased strength from a pickup of not only corporate capital investment, but also of personal consumption.

Continued stability of prices

One feature of the present recovery process is continued stability of prices. In June, for example, wholesale prices remained flat from the preceding month and went down by 0.4 per cent from a year earlier, while consumer prices in Tokyo dropped 1.0 per cent from the preceding month (but up 2.4 per cent over a year earlier). There are three factors that explain the remarkable price stability:

1) Fall of unit production cost due to moderate wage increases for two consecutive years (4.4 per cent in 1983 and 4.46 per cent in 1984), coupled with a sharp rise of the operating rate (an increase of 12.6 per cent between February 1983

and May 1984).

2) Falling import prices owing to softness of primary product prices (including those of crude oil) as well as a continuously high exchange rate of the yen in comparison to the previous quarter.

3) Smooth improvement of supply and demand balance reflecting a moderate business recovery.

A sharp rise in prices is unlikely for the time being. As for wholesale prices, upward pressures will remain weak as a whole because forces that work to drive up prices, such as the yen's depreciation and a tighter supply-demand balance ensuing from business expansion, are expected to be largely cancelled out by downward effects from the cost side. As long as wholesale prices remain calm, consumer price advance will consequently be moderate.

Balance of payments and trade

In the movement of international balance of payments, a rapid swelling of trade surplus stands out. While it was already gargantuan at \$40 billion at an annual rate during the January-March period, it further ballooned to a \$44 billion rate on the average for April through June. The fact that the surplus with the U.S. is particularly prominent could rekindle a trade dispute with that country and criticism of a yen undervaluation.

Since the non-merchandise trade deficit is stabilized at an annual rate of approximately \$10 billion, any increase in trade surplus leads to an increase in current surplus also.

Despite the cumulative current account surplus, the yen's exchange rate against the dollar has been weakening since May. It dropped past the 240-to-dollar level for the first time in 10 months in July.

Among several factors that keep the yen declining, an important one is expanding deficit in the long-term capital account that became notable in the last half of 1983. The long-term capital account deficit has

since almost offset or surpassed the current account surplus.

Especially, the recent high level of long-term fund outflows appears to be caused by a broadening interest rate differential between Japan and the U.S. Measured in the secondary market yield of long-maturity government bonds, the difference between the U.S. and the Japanese rates broadened to 6.93 percentage points at the end of June from 4.35 percentage points at the end of last year. The difference in the inflation-adjusted rate broadened to 3.54 percentage points at the end of May from 2.08 percentage points at the end of last year.

As U.S. interest rates are expected to continue at a high level in the future, the weakness of the yen could be prolonged, and that can harm the Japanese economy in several ways. The currency's weakness, first of all, could aggravate trade friction as it is taking place in the midst of a ballooning trade surplus. Second, it also could adversely affect prices through a rise in import prices. Third, it could trigger a fall of domestic bond prices and push up interest rates, putting a brake on the economy's expansion which is just starting.

Deteriorating bond market

Already, the third scenario is becoming a reality. The upturn of U.S. interest rates since early May has led the Japanese bond market to decline, resulting in a rise in secondary market yields. One side effect

of this development was cancellation of government bond issues scheduled for June and July owing to disagreement between the Government and underwriters over the size of a raise of the coupon rate. This in turn has made it also harder to float municipal and corporate bonds.

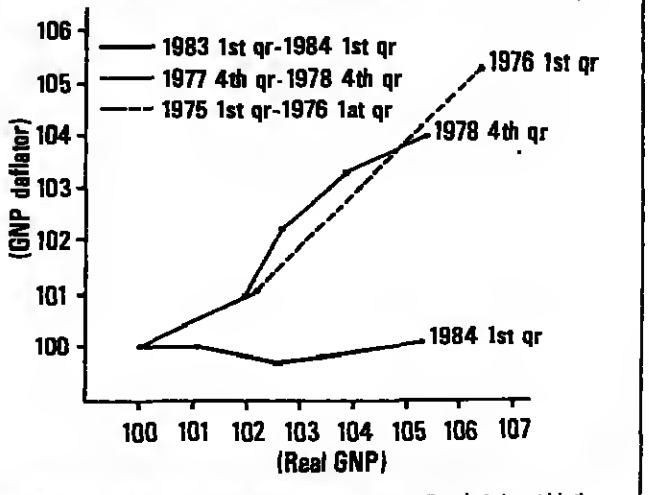
Since the stock market has turned bearish along with the drop in the bond market, convertible bond issues, which were proceeding smoothly in both domestic and overseas markets, are showing signs of slowdown.

The Japanese bond market is thus increasingly sensitive to the movement of U.S. interest rates. If the U.S. interest rates continue to rise and the yen and Japanese bond market continue to fall, one unavoidable consequence seems to be an across-the-board change in long-term interest rates. A rise in long-term interest rates, however, will not lead to a change in the monetary policy, given the current trend of domestic business and prices.

Upwelling of business is leading to a surge in demand for operating and capital funds from smaller- and medium-sized corporations of late, and financial institutions are showing willingness to meet the rising fund demand.

Under the circumstances, the Bank of Japan has allowed city banks to increase lending by 39.9 per cent, or ¥2,780 billion over a year earlier for the three months from July to September. Corporate finance thus is expected to stay lax in the months to come.

Comparison of GNP and Prices in Recent Economic Recovery



Note: The moves of real GNP and GNP deflator (seasonally adjusted, each) in the past three periods of economic recovery are shown in an index with a bottom taken as 100. Source: Economic Planning Agency, "Annual Report on National Account"

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The next DKB monthly report will appear Sept. 20.

Eurodollars Upstage Bills

(Continued from Page 7)

London market has helped stimulate trading on the Chicago Merc. Because many London Eurodollar dealers and traders lay off their exposure in Chicago, their growing Eurodollar cash and futures markets has also benefited ours.

The Chicago Mercantile's Eurodollar market is also expected to grow even bigger after trading in these futures starts early next month in Singapore. The Chicago and Singapore exchanges have established an arrangement that in effect allows traders to use both markets as if they were one.

"What we will finally see is a 24-hour Eurodollar-futures market open on Sept. 7," Mr. Sandor said. "This will be the cutting edge of 24-hour trading in all markets one day soon."

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